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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20160101-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.

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PROCEEDINGS: SPECIAL COMMISSION CONFERENCE

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

DATE: Thursday, August 3, 2017

TIME: Commenced: 10:35 a.m.
Concluded: 2:20 p.m.

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

REPORTED BY: Andrea Komaridis
Court Reporter

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
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1 P R O C E E D I N G S

2 CHAIRMAN BROWN: Good morning. We will begin
3 in about a minute or two. We had a few technical
4 issues that we had to take care of, but please take
5 your seats when you can.

6 I know folks have a lot of paper. If you want
7 to, take a moment to get organized in front of us.

8 All right. I would like to call this meeting
9 to order in the special agenda conference in
10 Docket No. 20160101, the application for increase
11 in water and wastewater rates in Charlotte,
12 Highlands, Lake, Lee, Marion, Orange, Pasco,
13 Pinellas, Polk, and Seminole Counties by Utilities,
14 Inc. of Florida.

15 This is officially called -- this meeting is
16 officially called post-hearing. That means that
17 the staff and the Commissioners are limited to
18 discussion. I would ask those in the audience to
19 please refrain from shouting, clapping, any -- any
20 disruption so that we can deliberate and have a
21 complete record.

22 And before I begin, I do want to say -- and
23 I'm sure we'll say it again at the conclusion of
24 this docket. I do want to say that I appreciate
25 all the hard work that has been put in by our

1 staff, who has traversed the state.

2 This docket has been going on for well over a
3 year. They -- they put a lot of work in. We've
4 had nine customer service hearings. Staff has been
5 at all of those meetings, along with the
6 Commissioners.

7 But I do also want to point out that our
8 pre-hearing officer in this docket, Commissioner
9 Ron Brisé, who took this on -- he's put a lot of
10 additional work and time into it. I appreciate him
11 taking this -- this on.

12 But thank you to our technical staff, our
13 legal staff, our -- everybody who has been
14 involved. I know everyone at the Commission has
15 had some involvement in one way or another in
16 preparing this product for us to consider. So,
17 thank you with that.

18 And we will begin this docket with Mr. Maurey
19 providing an overview of the recommendation.

20 MR. MAUREY: Good morning, Chairman,
21 Commissioners. Andrew Maurey, Commission staff.

22 This case was filed on August 31st of 2016.
23 The filing was deemed complete on November 22nd,
24 2016, which was established as the official date of
25 filing.

1 The major issues in this case are quality of
2 service, projects to be completed after the test
3 year, also known as pro forma projects, the overall
4 revenue requirement, the issue of rate
5 consolidation and, finally, rate structure.

6 As you noted, eight customer service hearings
7 were held throughout UIF's service territory.

8 CHAIRMAN BROWN: Nine.

9 MR. MAUREY: A ninth customer service hearing
10 was held before the beginning of the evidentiary
11 hearing.

12 In total, 207 customers addressed the
13 Commission regarding this case. In addition, many
14 customers filed written comments, which were
15 included in the docket file.

16 Several parties participated in this
17 proceeding including the utility, the Office of
18 Public Counsel, the Summertree Water Alliance and
19 Ms. Ann Marie Ryan, and Seminole County.

20 The initial filing by the utility in this case
21 consisted of thousands of pages of documents. In
22 addition, responses to 660 interrogatory requests,
23 169 requests for production of documents produced
24 thousand of more pages of detailed information
25 related to this case.

1 The evidentiary hearing held in May lasted
2 over 29 hours and included 18 witnesses. This
3 hearing produced a significant evidentiary record,
4 which will serve as the basis for the Commission's
5 decision in this matter.

6 Each of your offices has received documents
7 related to certain oral modifications to the
8 recommendation. These modifications are necessary
9 to correct errors and to accurately reflect the
10 record in this case.

11 Staff is prepared to provide additional
12 clarification regarding these modifications, if
13 necessary, when we move into the respective issues.

14 At this time, staff is prepared to proceed.

15 CHAIRMAN BROWN: Thank you.

16 So, the way that we're going to handle this --
17 I know that a document was distributed to all the
18 offices on the issues to be decided. They are
19 numerical, but they do kind of -- they're kind of
20 grouped in order.

21 I prefer to take them up numerically. They do
22 affect some other issues. And staff will note that
23 when we take that up. We may consider taking a few
24 items up together. But Issues 1 and 2 were
25 approved at the technical hearing.

1 So, we're going to go ahead and move to the
2 quality of service, which is Issue 3. Staff, could
3 you provide a summary of that issue.

4 MS. KNOBLAUCH: Absolutely. Emily Knoblauch
5 for staff. Can you hear me okay?

6 CHAIRMAN BROWN: Beautifully.

7 MS. KNOBLAUCH: Okay. Issue 3 addresses UIF's
8 quality of service. When evaluating UIF's quality
9 of service, staff looked at primary and secondary
10 standard test results provided in UIF's MFRs.
11 Staff identified a handful of systems that appeared
12 to not meet a few primary and/or secondary
13 standards.

14 Through the discovery process, staff
15 determined that additional testing was completed or
16 the exceedances had been resolved. At the
17 conclusion of the technical hearing, all UIF water
18 systems were in compliance with DEP standards.

19 These primary and secondary standard test
20 results were considered in staff's recommendation
21 as well as the compliance of UIF's plant and
22 facilities with DEP and the quality-of-service-
23 related complaints.

24 Staff is recommending the quality of service
25 for all systems be considered satisfactory, except

1 for Cross Creek, Eagle Ridge, LUSI, and Summertree.
2 For Cross Creek, Eagle Ridge, and LUSI, staff is
3 recommending the quality of service be deemed
4 marginal, and the utility should provide a status
5 report on DEP compliance within six months of the
6 Commission order.

7 For the Summertree system, staff is
8 recommending the quality of service remain
9 unsatisfactory with a 100-basis-point reduction to
10 staff's recommended return on equity for Summertree
11 because the record in this proceeding does not
12 satisfy the requirements of Order PSC-16-0505.
13 This penalty amount based on Summertree's revenue
14 requirement would be \$38,650, and would be a credit
15 applied exclusively to Summertree customers.

16 OPC and Summertree argued UIF's quality of
17 service is unsatisfactory for all systems, and
18 UIF's overall return on equity should be reduced by
19 a minimum of 150 basis points.

20 CHAIRMAN BROWN: Which equals --

21 MS. KNOBLAUCH: Based on UIF's overall revenue
22 requirement, this would be a penalty amount of more
23 than 700,000 for all systems.

24 CHAIRMAN BROWN: Thank you.

25 Commissioners, questions, comments on Issue 3,

1 quality of service.

2 Commissioner Brisé -- oh, Commissioner
3 Polmann.

4 COMMISSIONER POLMANN: Thank you, Madam Chair.

5 There was what I would describe as
6 considerable testimony and evidence brought into
7 the record at hearing. And the utility put forward
8 an argument based on a presumption, as I saw it,
9 that -- in support of the consolidated rate
10 structure that they proffered that the customers
11 across the entire utility, all of the systems --
12 that customers would be receiving same service for
13 same rate.

14 And this was repeated several times by their
15 Witness Guastella. This is referenced in the
16 material here presented in the recommendation
17 and -- and then reference also to Staff Witness
18 Daniel.

19 Various different ways this is described. As
20 I mentioned, same -- same rate, same service; and
21 in particular, the overall term, same service,
22 meaning same quality of service. I'm concerned
23 that we interpret that as same level of customer
24 service.

25 There are -- there can be an interpretation

1 that that means same quality of service interpreted
2 as same water quality. I think that's an important
3 distinction. I intend that to mean same water
4 quality in the sense of meeting all of the water-
5 quality standards at the point of service. What
6 the utility is providing is water service. And
7 that we are -- we, as the Commission, are to take
8 that into account. The quality of service includes
9 quality of water.

10 Now, will all customers receive the same
11 water? No, of course not. There are many systems
12 across this utility's service area. So, the
13 intention that I see is that they receive water
14 that is suitable for the intended purpose, which
15 includes all of the customers' needs.

16 The standard here is primary and second
17 standards that are promulgated by DEP. And so, our
18 reference point, then, becomes those standards. We
19 are to take those into account based on the
20 direction we're provided.

21 And they should -- all customers should
22 receive water that is essentially similar in that
23 regard. There's been quite a bit of discussion and
24 recognition of customer complaints on water
25 quality.

1 The issue here is that -- in terms of this
2 quality of service within this item is how is the
3 utility responding to those complaints and are they
4 responding adequately, uniformly across all of the
5 systems for all of the customers. And as
6 Ms. Knoblauch indicated, there are some systems for
7 which the service has been deemed marginal and one
8 in which it is unsatisfactory.

9 I would urge that we continue to be diligent
10 in reviewing issues at the customer level. And
11 again, my focus is on quality of service as to the
12 water quality.

13 I have had quite a bit of discussion on
14 multiple meetings with staff. This has been a
15 point of focus in my review of -- of this whole
16 package. And I've tried to approach this a number
17 of different ways.

18 I've received confirmation from staff that we
19 have in place, as a Commission, multiple methods,
20 multiple procedures and practices to address
21 customer complaints, customer concerns on the level
22 of service, inclusive of water-quality issues.

23 So, I believe at this point that we have in
24 place the ability to address water-quality concerns
25 at the customer level. And I would support the

1 staff recommendation on this because I'm satisfied
2 that we have authority.

3 I believe the concerns can be addressed. I
4 won't belabor the issue asking the details of that,
5 but I'll simply look to staff here on this item for
6 a statement on the record confirming that we've had
7 practice with this utility, how we have dealt with
8 water-quality complaints and concerns, so that
9 there's clear understanding to the customers and to
10 the parties that have raised this concern, and to
11 those who represent the customers that, in fact, we
12 are addressing water-quality concerns, secondary
13 water-quality standards, and so forth.

14 I think it's important that the customers
15 understand that we have both the authority, the
16 ability, and the intention to follow through on
17 these things. And I'll simply look to staff,
18 Ms. Knoblauch or -- or others, to address that on
19 the record for us.

20 So, if you can, elaborate on that, please.

21 CHAIRMAN BROWN: Tom?

22 MR. BALLINGER: Yes, sir, we have had some
23 practice with this. And it's a little -- a little
24 bit of a disconnect. As you're aware, the testing
25 point for secondary standards is at the well head.

1 So, it's as it enters into the distribution system;
2 yet, the customer is out in the field. That's
3 where they'll see -- we'll get complaints of
4 quality of service, secondary standards, color,
5 taste, odor, things of that nature.

6 Sometimes it's as simple as flushing the
7 system at the customer's house. They've been gone
8 for six weeks on a vacation. They come back, they
9 call the utility, I've got cloudy water, we go out
10 and flush it.

11 Other times, it might be low pressure that
12 the -- they had a plumbing issue at the house and
13 they forgot to turn the service valve all the way
14 on, so their pressure was low.

15 So, there's a lot of things that, even though
16 they get contacted to the company, they're simple
17 fixes. And we would look at how the utility
18 responds. So, it's the customer-service aspect of
19 it.

20 We've had other cases -- I think one was
21 Cypress Lakes a few years ago, where we had an
22 issue of quality of service; customers complaining
23 about the quality of the product coming from the
24 faucets. The company was passing secondary
25 standards, according to DEP. Something is up.

1 So, we required the utility to take some test
2 results or samples close by the customer's
3 premises, as well as they could. Have to balance
4 that with -- that had a cost to it. And that cost
5 was paid for by the customers to say, was it
6 meeting secondary standards at that point in the
7 system. And in that case, it was.

8 So, we -- we -- we have methods to -- to
9 further out. You do the -- I don't want to say the
10 simple things first to track it down, but staff
11 does have the authority and the means to look at
12 this.

13 And I think taking the cases as they come with
14 the facts as they present themselves, to approach
15 it with a rational approach is how we dealt with it
16 in the past.

17 Does that help?

18 COMMISSIONER POLMANN: Yes, I -- as we
19 discussed in briefing, as I see it -- and I'll cite
20 the reference here in the Florida Statutes,
21 367.0812, with the focus on the utility providing
22 water service that meets secondary water-quality
23 standards. Those standards are established by the
24 Department of Environmental Protection.

25 My point being that we are to consider that

1 the utility provides water service that meets those
2 standards. And my point of focus is that the
3 utility is actually providing that water service,
4 and that, in the context of -- that the utility is
5 providing water to the customer -- that's where our
6 focus is. And as I see it, that's how we're
7 judging the utility's performance with regard to
8 the water that they deliver under the umbrella of
9 quality of service.

10 CHAIRMAN BROWN: Mr. Baez has a comment,
11 quick.

12 MR. BAEZ: Commissioner, if I can help Tom
13 out, I think you asked a question and you said
14 three words, the authority, the ability, and the
15 intention. And if what you're looking to hear from
16 your staff is -- is -- the answer to that question
17 is, yes. We -- you have the authority, you have
18 the ability, and your staff has the intention of --
19 of holding our utilities to -- to the standards
20 that you wish; that it is your will to hold them
21 under the statute.

22 Now, is -- is the way we're all figuring it
23 out perfect at this point? No. I -- I will tell
24 you, this is something that perfects itself with
25 every case that -- that comes forward. That's how

1 laws are made. That's how the body of law gets --
2 gets created. This is an evolving scenario. We
3 learn a little bit more.

4 But I will tell you, this test -- this
5 particular case and this particular utility and
6 these particular circumstances have -- have tested,
7 not just you, the Commissioners, but it has tested
8 the staff. And -- and we have -- I think we've --
9 we've stretched our -- you know, we've stretched
10 our muscles with -- with these circumstances.

11 CHAIRMAN BROWN: Commissioner Polmann.

12 MR. BAEZ: I hope we're giving you some kind
13 of assurances, but certainly the intent is there.

14 COMMISSIONER POLMANN: Thank you, Mr. Baez. I
15 understand the intent is there. And thank you.
16 And we do have the authority as -- as has been
17 explained to me and as I've explored the statute.

18 I discussed with staff -- I was exploring the
19 possibility that we would create a standard of
20 practice. I've come to be satisfied that that's
21 not appropriate. As you indicated, many of these
22 things are addressed as needed case by case.

23 I did not want to leave this particular docket
24 without exploring the possibility of creating a
25 standard procedure because I've come to realize

1 that we have those things in place and that the
2 application is case-specific. I've come to some
3 comfort that our practices are good.

4 And in fact, in speaking with the general
5 counsel's office with regard to this statute, I
6 understand that rules have been developed, and that
7 we're moving forward with the implementation of
8 those. So, again, I take comfort in that.

9 My concern during the hearing was that there
10 was substantive discussion on -- the basis for
11 setting consolidated rate, all customers paying the
12 same rate, was same service, substantially same
13 water. Those types of things. Hence my ex- --
14 exploration into these types of issues. I've --
15 I've come to a point of at least being satisfied.

16 So, I'll leave it at that, Madam Chairman.
17 Thank you.

18 CHAIRMAN BROWN: Thank you.

19 Commissioner Graham.

20 COMMISSIONER GRAHAM: Thank you, Madam Chair.

21 I guess, before I get into my notes, I want to
22 speak to what Commissioner Polmann was just talking
23 about. I had the same type of conversations with
24 staff. And a lot times these systems are fine and
25 it doesn't really cost for us to do any further

1 digging down into it because the water quality is
2 there.

3 But I guess my -- my frustration is on some of
4 those cases where the water quality is
5 questionable. And you ask for -- if we meet that
6 standard. And the response is, we don't have that
7 information. And I guess my -- my stance is -- and
8 what I've said before -- and I guess I'm being very
9 clear now: That's unacceptable.

10 CHAIRMAN BROWN: Uh-huh.

11 COMMISSIONER GRAHAM: If we have something
12 that is questionable, then we had better go get
13 that test data and make sure it's part of the case.
14 And I -- I think that may be what -- what you
15 settled down to. There's no need to force all of
16 them to go and go these extra steps and add that
17 extra cost to the rate case, but if there is
18 something that is marginal or questionable, we need
19 to damn sure go out there and get that information.
20 And thank you for bringing that up.

21 I have about four of these, five of these
22 where I disagreed with staff on the recommendation.
23 Should I go through that now?

24 CHAIRMAN BROWN: Right now -- no, if we could
25 stay with just quality of service.

1 COMMISSIONER GRAHAM: That's what I'm talking
2 about, just quality.

3 CHAIRMAN BROWN: Oh, yeah. Yes, please. Go
4 for it.

5 COMMISSIONER GRAHAM: Okay.

6 CHAIRMAN BROWN: Broad -- broad questions on
7 Item 3. And if they overlap with other areas,
8 please feel free to bring those up.

9 COMMISSIONER GRAHAM: First one is Labrador.
10 Staff had them rec- -- staff had them down as
11 satisfactory. Their last rate case was in 2015,
12 and we found them as being marginal.

13 CHAIRMAN BROWN: Uh-huh.

14 COMMISSIONER GRAHAM: We tasked them to go out
15 and meet with the ratepayers out there and come up
16 with a solution which is going to fix or address
17 the iron problems. They came up with a solution.
18 It was a cost that the ratepayers did not want to
19 spend. So, from what I'm reading from the notes,
20 that means nothing was done.

21 So, my first question is, if it was marginal
22 before, nothing was done, then how is it
23 not marginal now -- that's not a question.

24 As I go through -- and I saw that Labrador
25 failed the manganese test in 2015, and then it was

1 tested again also a month later and they passed the
2 manganese test. So, I'm kind of on the fence about
3 this one.

4 I am fine going with the staff recommendation.
5 Probably more -- the main reason in this case is
6 because when we had the service hearing out in
7 Zephyrhills. I thought, if it was still a problem,
8 we would have had at least one person show up. And
9 we had nobody show up in that meeting. And so,
10 I -- I thought if it was still a big problem, then
11 somebody would have contacted us and we would have
12 heard more.

13 Since they had passed the test, I'm fine with
14 leaving that as marginal -- I'm sorry. I'm fine
15 with leaving that as satisfactory, but I was on the
16 fence going one way or the other if that was going
17 to be marginal or satisfactory. So, I'm fine
18 there.

19 The next one is Mid-County, which is 22. 22
20 spills from January 2015 to September 2016 is a lot
21 of spills. Regardless if they said that it was
22 some of the tropical storms going through and
23 raising water -- I still think that's just --
24 that's beyond reasonable. I think that's a
25 problem. And there's no reason why that should be

1 called satisfactory. It needs to be called
2 marginal. You also have many odor complaints with
3 DEP. So, I've changed that one from satisfactory
4 to marginal.

5 Pennbrooke is Page 23. The last rate case, we
6 had them as satisfactory, but we asked them to
7 figure out the iron problem here. Now, as I sat
8 down and I've dealt with staff, they said, well, if
9 the iron is high, the manganese is low, you can add
10 those two results together. And if the total is
11 still below one milligram per liter, well, then
12 they'll let it pass as secondary standards. I
13 don't think that's good enough. We're tasked to
14 meet an iron standard. I think we're tasked to
15 meet a manganese standard.

16 And even -- this is the interesting part.
17 Even to quote the utility's attorney -- and this is
18 from the case that we had dealing with Summertree.
19 But it says: I might inject, again -- he goes, I
20 apologize, again, but I think DEP verifies -- I --
21 I don't think DEP verifies anything. DEP has a
22 rule. They set what their standards are, and you
23 do the tests. You send the tests to the lab. The
24 lab sends you back the test results.

25 And it goes on and goes: I hate to put

1 anything in DEP's steps and wait for them to verify
2 something. I mean, you've got a rule. It either
3 makes -- it either hits that standard or it does
4 not. It's that clean-cut. And this is just from
5 their attorneys -- this is just from their
6 attorney.

7 So, the idea of blending those things and
8 saying that, okay, well, it is good enough -- I
9 don't think it is good enough.

10 Mr. Holt said --

11 CHAIRMAN BROWN: Hoy --

12 COMMISSIONER GRAHAM: Hoy -- I apologize --
13 said they proposed a method to treat the iron. It
14 was costly. They said that there's very few
15 Pennbrooke customers, but after we -- if we were to
16 do this consolidation, there would be less of an
17 impact on the Pennbrooke customers. And that's
18 something that could be done.

19 So, I think maybe this is something we should
20 treat the same way we treated Summertree where this
21 should be rated as marginal and allow for them to
22 come up with something to fix this and come back to
23 us and prove that this iron problem has been fixed.
24 So, I have this one changed from satisfactory to
25 marginal.

1 CHAIRMAN BROWN: Thank you.

2 COMMISSIONER GRAHAM: I'm not done.

3 CHAIRMAN BROWN: Oh, you're -- you're not
4 done? Keep on going.

5 (Laughter.)

6 COMMISSIONER GRAHAM: Cross Creek, Eagle
7 Ridge. That's Page 26. Now, this is going to be
8 interesting. I went the opposite direction on this
9 one. Staff has this down as marginal. And I
10 changed this to satisfactory. Now, my reason is
11 the things that staff have written down here, in my
12 opinion, has absolutely nothing to do with the
13 quality -- customer service or quality.

14 They have -- they said the deficiencies are
15 corrosion on the equalizing tanks. Well, if that's
16 causing a problem with some sort of either -- some
17 sort of spill or something else, well, when that
18 becomes a problem, that's our effect. The fact
19 that it's now on the tank -- that shouldn't be
20 something we -- that we should be looking at.

21 Leaking valve -- once again, what does that
22 have to do with quality or customer service?

23 Operational flow-chart recorder -- what does
24 that have to do with customer service?

25 Safe walkways -- what does that have to do

1 with the customer service?

2 Traceable thermometer -- what does that have
3 to do with customer service?

4 The calibration of the daily sheets -- I mean,
5 these are all things that, in my opinion, does not
6 affect the customer service or the quality. And
7 so, I -- I found them not -- I don't see them as
8 being marginal. I see them as being satisfactory.
9 So, that's one I actually changed the other
10 direction.

11 And the last one, if I may, Madam Chair --

12 CHAIRMAN BROWN: Uh-huh.

13 COMMISSIONER GRAHAM: -- is Summertree. We
14 already have Summertree dinged for a hundred basis
15 points. OPC -- their recommendation was for this
16 to go to 150 basis points. I've read the briefs.
17 I guess this question is to my colleagues or to
18 staff. I didn't see a legal basis for us to be
19 able to go to 150 basis points. Is there a -- is
20 there a way that we can go to 150? I know what I
21 saw in the statute was we are capped at a hundred
22 basis points.

23 If there's a way to go to 150, maybe that's
24 the question I would like to talk about, but as it
25 is right now, I think we're stuck -- or we -- we

1 can't go beyond that.

2 And I guess, Madam Chair, my question is to --

3 CHAIRMAN BROWN: It's legal. And Commissioner
4 Graham, I had the same exact question. And I was
5 going to ask it of our legal staff. And Ms. Helton
6 looks like she is looking up the statute. I think
7 you are right that it is limited to a hundred basis
8 points.

9 COMMISSIONER POLMANN: I had the same
10 question.

11 CHAIRMAN BROWN: Office of Public Counsel also
12 raised it as 150-basis-points suggestion.

13 MS. HELTON: Commissioners and Madam Chairman,
14 when you look at 367.0812, in Subsection 4, where
15 it is describing what actions you can take with
16 respect to problems with quality of service, I
17 think it's very clear penalties may include
18 penalties as provided in 367.161 and a reduction of
19 return on equity up to 100 basis points.

20 So, I'm not sure where you would get the
21 authority to go beyond that.

22 CHAIRMAN BROWN: Commissioner Graham, you
23 still have the floor.

24 COMMISSIONER GRAHAM: Thank you, Madam Chair.
25 I wouldn't have a problem going to 150, but I -- I

1 don't -- I don't think we need to as far as it
2 being kicked back to us because there's really no
3 legal ground for us to stand on, unless my
4 colleagues have a different suggestion.

5 So, if I can summarize --

6 CHAIRMAN BROWN: Please.

7 COMMISSIONER GRAHAM: What I had was,
8 Labrador: changing them to marginal, but not
9 charging -- there's no hit on basis points. I
10 think they are close enough.

11 Mid-County: changing that to marginal and
12 there being a 50-basis-point hit.

13 Pennbrooke: changing that from satisfactory to
14 marginal, and it being a 50-basis-point hit.

15 Cross Creek, Eagle Ridge: changing that
16 marginal to satisfactory.

17 And Summertree, pretty much status quo.

18 CHAIRMAN BROWN: Commissioner Graham, any
19 other comments or questions?

20 COMMISSIONER GRAHAM: No, that's what I have
21 for quality.

22 CHAIRMAN BROWN: Okay. Commissioner Brisé?

23 COMMISSIONER BRISÉ: Thank you, Madam Chair.

24 This question is for Commissioner Graham.

25 Help me understand the rationale for Labrador being

1 deemed marginal, from your perspective, and not
2 being assessed the 50 basis points.

3 COMMISSIONER GRAHAM: I guess my rationale is
4 that we found them last time as being marginal, and
5 that nothing has been done since the last time. So
6 I guess, maybe I'll leave that as some sort of a
7 warning because the testing that was done since
8 their last rate case says that they did meet the
9 standard.

10 I mean, I'm fine if you want to make the
11 argument to leave them as satisfactory, but I think
12 I want to send more of a warning to them that, you
13 know, you guys are on the cusp. And you know,
14 let's just make sure that we don't fall on the
15 wrong side. Does that make sense?

16 COMMISSIONER BRISÉ: It makes sense, but
17 from -- from my perspective, my general thought is
18 a matter of consistency.

19 COMMISSIONER GRAHAM: Okay.

20 COMMISSIONER BRISÉ: And if -- if we're going
21 to have the practice of classifying marginal,
22 unsatisfactory, or satisfactory, that there is a
23 certain penalty associated with that, and we can be
24 consistent in that practice, particularly in one
25 particular case.

1 So, I don't know what your thoughts are with
2 that.

3 COMMISSIONER GRAHAM: Well, then I -- my
4 thought would be to change them to satisfactory
5 because I -- I hate to penalize somebody that test
6 results did come back. I mean, maybe we just make
7 note in the order that this is under a watch, but
8 I -- I think, to stick with the consistency that
9 you speak of, I think we should just go ahead and
10 change them to satisfactory or leave them at
11 satisfactory.

12 COMMISSIONER BRISÉ: Sure. Thank you.

13 CHAIRMAN BROWN: All right. Commissioners,
14 any other questions?

15 I do -- and before I get to Commissioner
16 Polmann, I do want to add Cypress Lakes to that
17 list. I had some concerns over the staff
18 recommendation inferring that it is satisfactory.

19 This -- and this was -- I mean, the last time
20 this utility came in for a rate case was 2010, with
21 an order in 2011. A lot of the Commissioners on
22 here had just started with the Commission at the
23 time. And this previously had been marginally
24 deemed satisfactory.

25 The number of complaints, though, for this

1 system is outrageous. I -- I think staff's
2 recommendation recommending that it's satisfactory
3 just because it's trending downward on the number
4 of complaints, to me, doesn't give me comfort
5 whatsoever.

6 They've -- they've had a lot of issues related
7 to quality of the product with DEP. I was
8 surprised. We've had lots -- we heard lots of
9 comments on this as well from customers on quality-
10 of-service issues.

11 So, I -- I would have to say that this has not
12 improved.

13 In fact, from the last rate case in 2011, I
14 think it's gone down in terms of the quality of
15 product and the utility's attempt to address those
16 concerns.

17 I don't see it. I don't see it in the
18 recommendation. I didn't see it at the customer
19 meetings. So, I would recommend that we deem that
20 marginal with the 50-basis-points penalty to
21 encourage the utility to make some improvements
22 with the customers and continue to engage those
23 customers on that secondary-quality issue that they
24 have.

25 And I did want to also point out, the

1 utility -- the Seminole, UIF Seminole, staff,
2 what -- what did we deem at the last rate case on
3 quality of service for Seminole? I'm going back
4 over here -- or here? Anyone?

5 MR. BALLINGER: We're seeing -- we're checking
6 on that.

7 CHAIRMAN BROWN: I was astounded by the number
8 of complaints just in the test year, 144
9 complaints. I know there are pro forma projects
10 attempting to address the concerns, but I don't
11 know if that translates to a satisfactory.

12 There are a lot of factors that we consider
13 and what we can consider when we deem and determine
14 the quality of service; not just a utility's
15 attempt to address customer concerns through pro
16 forma.

17 MR. BALLINGER: It appears on this one -- I
18 would -- I would guess -- it doesn't say in the
19 staff recommendation, but I would assume that it
20 was satisfactory the last time in the rate case;
21 otherwise, we would have pointed this out.

22 CHAIRMAN BROWN: Well, it wasn't in the
23 recommendation, so --

24 MR. BALLINGER: Right. That's why I say I'm
25 trying to find it here, but I'm -- I'm assuming it

1 was. Given that fact, then, we looked at the
2 complaints that came in this time, and it seems a
3 major of them were because a partially-closed
4 valve. After that, that does seem to have solved
5 the problem. So, it was an issue.

6 Yes, is that optimal operation? No. So, I
7 think if you wanted to go to marginal, you could.

8 CHAIRMAN BROWN: You know, I think
9 Commissioner Polmann stated it best at the outset
10 with replying or talking about Witness Guastella's
11 comments during the live technical hearing. You
12 know, customers want the same rates for the
13 serv- -- the same service, but they're -- it's not
14 necessarily -- they're -- not necessarily get that.
15 That's a subjective question. That's a
16 subjective -- and I think this system isn't getting
17 the same quality of service as some of the other
18 systems.

19 I would -- I would say, just by the sheer
20 magnitude of the number of complaints during the
21 test year, I would deem that marginal. I would
22 hate to put a penalty on it since staff can't
23 quantify what we did during the last rate case, but
24 I do want to send a signal to the utility that this
25 is -- this is not acceptable and that the utility

1 needs to address the customer concerns in this
2 system, not just through the pro forma that they're
3 going to be recovering under Issue 9.

4 So, my -- my recommendation would be to change
5 the UIF Seminole from satisfactory to marginal.
6 And we do have the authority to not assess a
7 penalty. We can simply limit it, according to
8 legal, just marginal as they recommended in Cross
9 Creek and Eagle Ridge and LUSI without assessing a
10 penalty. I think that would assuage my concerns on
11 that system.

12 Going back to Commissioner Polmann.

13 COMMISSIONER POLMANN: Thank you, Madam
14 Chairman. To your own comments, could you please
15 reiterate on Cypress Lakes what your position was?
16 I'm sorry.

17 CHAIRMAN BROWN: Yeah. During the last --
18 it's definitely marginal with the 50-basis-points
19 reduction. During the last rate case, the
20 Commission found it marginally satisfactory. The
21 utility had several quality-of-product issues and
22 quality-of-service issues. The pressure was an
23 issue. We -- they received over a hundred
24 complaints on --

25 COMMISSIONER POLMANN: Right. Okay.

1 CHAIRMAN BROWN: -- secondary quality. And
2 they continued -- there -- there has not been
3 improvement, even since the last rate case.

4 COMMISSIONER POLMANN: Thank you.

5 Another question to Commissioner Graham. The
6 Cross Creek, Eagle Ridge, you had identified the --
7 in the staff discussion, what I see and what you
8 described as issues that appear to be at the
9 facility on Page 26. And it appears that staff's
10 interpretation is that these items do fall under
11 customer service.

12 I would ask for a staff clarification on the
13 basis of your recommendation. I -- if we could
14 just take a moment to -- to hear from staff and
15 why -- why you included these items under quality
16 of service. I'm just unclear on that.

17 MS. KNOBLAUCH: Absolutely. So as
18 Commissioner Graham mentioned, there were multiple
19 deficiencies for that. As he pointed out, though,
20 they're not really affecting the quality of the
21 product.

22 It's a wastewater-treatment plant, but because
23 they had multiple deficiencies -- I think they had
24 six. They've corrected four of them, but there
25 were two still-outstanding deficiencies. So, that

1 is why we had recommended marginal versus
2 satisfactory because there are still two
3 outstanding deficiencies.

4 MR. BALLINGER: If I may add to that, while
5 it's not directly to customer service, it's how the
6 utility is responding to another regulatory agency,
7 the DEP. So, that's -- we're taking that into
8 account, which is part of our charge. We look at
9 how they're complying with DEP requirements. And I
10 think that's why we're here.

11 So, there's still outstanding deficiencies
12 identified by DEP that need to be remedied.

13 COMMISSIONER POLMANN: Okay. As follow-up, is
14 there any other place within our review that the
15 responsiveness under other permits or two other
16 regulatory agencies could be taken into account?
17 Or is this, in your interpretation, the only place
18 that we would account for their response under
19 other regulatory agencies?

20 MR. BALLINGER: If I understand your question,
21 I guess it could be a general management practice
22 of how they're dealing with other -- they have to
23 deal with DOT. They have to deal with a lot of
24 other entities. So, if something came up with
25 that, I think you could look at general management

1 practices.

2 We have -- tend to focus on quality of service
3 because DEP is the one who inspects the plant and
4 facilities to see, is the tank rusting to the point
5 where it needs to be replaced. We rely on those
6 types of things to -- to judge quality of service
7 because it could affect quality of service.

8 COMMISSIONER POLMANN: Well, I agree, we -- we
9 should -- we're aware of it. We should take it
10 into account. My question is whether it should be
11 taken into account under Issue 3 or can it be taken
12 into account elsewhere where it's recognized as a
13 deficiency.

14 And I'll look to -- Commissioner Graham,
15 you -- you agree it needs to be taken into account.
16 And your question is whether it should be accounted
17 for here. Is -- is that your issue, sir?

18 COMMISSIONER GRAHAM: That -- that's exactly
19 my issue. I -- in our rules right now, it is, for
20 some reason, under the quality and customer
21 service, but I -- my argument is that it shouldn't
22 be because, if it doesn't touch -- if it doesn't
23 touch the customer, then why is it under customer
24 service and quality? And these things, these
25 deficiencies they're all talking about -- it

1 doesn't -- it doesn't touch the customer.

2 COMMISSIONER POLMANN: Yeah.

3 COMMISSIONER GRAHAM: Not -- not by any means.

4 COMMISSIONER POLMANN: Staff indicated it's
5 not -- it's not affecting what the customer is
6 receiving as -- as reliable service. So, I'm --
7 I'm in a quandary here how we take it into
8 consideration.

9 CHAIRMAN BROWN: And before I get to
10 Commissioner Graham, I do want just want to point
11 out something on Labrador, which is a discussion
12 that occurred between Commissioner Brisé and
13 Commissioner Graham.

14 And to be consistent -- well, I think these
15 systems are just so different. I understand we
16 always try to be consistent with our
17 recommendations, but -- but if you're just limited
18 to satisfactory or marginal with a penalty or
19 unsatisfactory with a penalty, we have broad
20 discretion to do -- to do what -- what we think is
21 appropriate for each system.

22 So, for Labrador, I agree with Commissioner
23 Graham on the marginal. I also agree -- I don't
24 think we have to assess a penalty, but I think that
25 signals a message to the utility that this system

1 just is -- is not satisfactory, according to our
2 concerns. It doesn't rise to the level of the
3 penalty. And it doesn't rise to the level of
4 unsatisfactory. But I think we -- we can do what
5 we feel is appropriate for each system.

6 Commissioner Graham.

7 COMMISSIONER GRAHAM: I guess, Madam Chair --
8 and this is why I turned my light on -- is maybe
9 propose that we come up with another determination
10 and call it warning or something else. I mean -- I
11 mean, so, it -- it's -- well, I -- just as
12 Commissioner Brisé brought up before about
13 consistency, you know, if you're going to call it
14 marginal, then it probably should be 50.

15 You know, maybe you put something else in
16 there where, you know, the definition -- it's
17 marginal with no penalty and what -- whatever term
18 that you want to use because this is just for our
19 own internal.

20 CHAIRMAN BROWN: Yeah.

21 COMMISSIONER GRAHAM: So, we'll know that, you
22 know, five years from now, ten years from now,
23 whoever is sitting back here will know whatever
24 that designation was.

25 CHAIRMAN BROWN: You guys.

1 COMMISSIONER GRAHAM: Well, who -- whatever
2 that designation was was pretty much just a
3 marginal with no points.

4 CHAIRMAN BROWN: And I'm going to -- thank
5 you, Commissioner Graham. I'm going turn to
6 staff -- to our legal staff on this point because
7 we did talk about it a little bit in my briefing.
8 We had -- and there were some recommendations when
9 we discussed on marginal.

10 And really, Ms. Crawford or Ms. Helton, your
11 thoughts on the latitude or -- that the Commission
12 has under this. If we deem a system marginal, what
13 are our options?

14 MS. CRAWFORD: Well, first I would like to
15 point out that it used to be unsatisfactory or
16 satisfactory. Marginal was created in recognition
17 of what exactly Commissioner Graham was pointing
18 out, that sometimes there is a gradient that needs
19 to be recognized.

20 And whether to assess a penalty with the
21 assessment is entirely within the discretion of the
22 Commission. There's nothing statutorily or rule-
23 based or, in my mind, even precedent because you
24 will find in decisions the Commission has made --
25 you'll find findings of marginal without a penalty.

1 You'll find findings of marginal with a penalty.

2 I would certainly argue that a marginal
3 finding with a penalty is -- sends certainly a
4 stronger signal to the utility. So, I think there
5 is some gradations available within the current
6 scheme. However, it's up to the Commission whether
7 it wishes to break those categories down even --
8 even further.

9 CHAIRMAN BROWN: And -- thank you. Very
10 articulate answer. I appreciate that explanation,
11 but -- but the Commission, even though this is a
12 consolidated rate case with a variety of systems
13 all differing, the Commission doesn't -- we're not
14 locked into being consistent.

15 If we deem a system marginal, but we -- we
16 can -- we have latitude to assess a penalty if we
17 deem a system marginal. But a stronger message
18 needs to be sent, like in Cypress Lakes, for
19 example, or for Labrador. Just want to signal to
20 the utility in the next -- and for the next rate
21 case that this was deemed marginal and not
22 satisfactory.

23 MS. CRAWFORD: That's correct.

24 CHAIRMAN BROWN: Okay. Commissioners.

25 Commissioner Brisé and then Graham.

1 COMMISSIONER BRISÉ: Thank you.

2 I recognize that we have the latitude.
3 However, I think that we also have the authority to
4 put in place the -- the penalties. And obviously,
5 each Commissioner can look at each system and
6 recognize that they find that, if they assess
7 the -- or recognize the system to be marginal, that
8 there could be an assessment that goes along with
9 that. So, I recognize that that is something that
10 could vary.

11 My thought is that, if we look at systems that
12 are similarly situated in terms of the quality of
13 service -- and I'm not talking about similarly
14 situated in terms of the aquifer because there's --
15 there's a huge distinction when we look across a
16 system, these systems in terms of what it takes to
17 bring a system up to what would be providing that
18 consistent quality of service across the board.

19 But when we look at the quality of service
20 that is currently being provided and we look at the
21 systems, are we assessing the marginal equally and
22 then providing the -- consistently providing the
23 penalty associated with that.

24 So, my thought is, as Commissioners, let's
25 make sure that we're trying to be consistent as we

1 go through that process. That's all I was trying
2 to bring out.

3 CHAIRMAN BROWN: Thank you. And during the
4 briefing, Commission staff had recommended -- when
5 considering some of these systems marginalized,
6 they recommended Cross Creek and LUSI to be
7 marginal with no penalty. They recommended and
8 said that we do have --

9 COMMISSIONER BRISÉ: Right.

10 CHAIRMAN BROWN: We could go 25. We could go
11 50. It's really what the number is associated with
12 that penalty.

13 Commissioner Graham.

14 COMMISSIONER GRAHAM: No, I was just -- I
15 guess I'm just trying to get to the point where,
16 are we going to have marginal with penalty and
17 marginal without penalty? Is that what the
18 determination was?

19 CHAIRMAN BROWN: Commissioner Brisé, is that
20 your recommendation to -- if we find marginal, to
21 deliver a penalty?

22 COMMISSIONER BRISÉ: My instinctive thought is
23 that; however, if -- if I'm a commissioner making
24 the case to -- to move an entity from satisfactory
25 to marginal, I guess I make the recommendation to

1 do it. And -- and I guess each Commissioner will
2 determine whether the penalty that is -- is
3 suggested makes sense or not.

4 CHAIRMAN BROWN: Commissioner Graham?

5 COMMISSIONER GRAHAM: (Indicating.)

6 CHAIRMAN BROWN: Okay. So, so far, I'm going
7 to go through -- unless Commissioners have any
8 questions on the systems, I'm going to go through
9 what has been proposed and discussed here on the --
10 by the Board.

11 Lake Placid -- all of these have
12 recommendations of satisfactory: Lake Placid,
13 Longwood, Tierra Verde, UIF Marion, UIF Orange, UIF
14 Pasco-Orangewood, UIF Pinellas -- those have all
15 been -- oh, pardon me. UIF -- Sandalhaven and
16 Sanlando. Those have all been recommended by staff
17 to be satisfactory and have not been discussed up
18 here.

19 Now, the ones that have been discussed with
20 regard to determining marginal have been Cypress
21 Lakes, marginal, 50 basis points; Labrador -- it
22 was proffered marginal and then changed back to
23 satisfactory, but I -- I also think it should be
24 marginal.

25 COMMISSIONER BRISÉ: Which one was that?

1 CHAIRMAN BROWN: Labrador.

2 COMMISSIONER BRISÉ: Labrador.

3 CHAIRMAN BROWN: Mid-County, marginal, 50
4 basis points; Pennbrooke, marginal, 50 basis
5 points; UIF Pasco-Summertree, unsatisfactory, a
6 hundred basis points.

7 And with regard -- Cross Creek, Eagle Ridge --
8 pardon me -- was recommended to switch it to
9 satisfactory. And then LUSI has marginal. And it
10 has not been discussed further.

11 So, I hope staff is doing some calculations on
12 the effect of those basis points. Obviously,
13 there's going to be a lot of fallout from the
14 decisions that we have here today.

15 But with that, Commissioner Graham?

16 COMMISSIONER GRAHAM: Yes, Madam Chair, I'm
17 just trying to -- for Labrador, we have called that
18 marginal with no basis points?

19 CHAIRMAN BROWN: So, we -- so far, we have
20 that as marginal with no basis points, similar to
21 LUSI as staff recommended.

22 COMMISSIONER GRAHAM: LUSI with no basis
23 points.

24 CHAIRMAN BROWN: Right.

25 COMMISSIONER GRAHAM: I guess the question is:

1 Do we want to stick with that being no basis points
2 or -- because we haven't discussed that one at all.

3 CHAIRMAN BROWN: So --

4 COMMISSIONER GRAHAM: And I'm -- I actually
5 throw that question out. I'm not necessarily
6 lobbying one way or the other.

7 CHAIRMAN BROWN: Commissioners?

8 Commissioner Brisé.

9 COMMISSIONER BRISÉ: Yes, I would like to hear
10 from staff as to their rationale as to why they
11 didn't assess a penalty, even though I know you all
12 didn't assess penalties for marginals.

13 CHAIRMAN BROWN: For LUSI. And pardon me,
14 before we go -- real quick, UIF Seminole is also
15 deemed marginal. Pardon me. I forgot to put that
16 out there.

17 Staff.

18 MS. KNOBLAUCH: So, was that for LUSI or is
19 that for Labrador? For LUSI?

20 COMMISSIONER BRISÉ: LUSI.

21 MS. KNOBLAUCH: Okay. So, for that one, there
22 is an open consent order with DEP, but so far, UIF
23 has met all the milestones listed out in the
24 consent order. So, since they are working
25 cooperatively with DEP, that is why we suggested no

1 penalty.

2 CHAIRMAN BROWN: Okay.

3 Comm- -- are -- anything further?

4 COMMISSIONER BRISÉ: (Indicating.)

5 CHAIRMAN BROWN: All right. So, does everyone
6 have the clear understanding of where we're at?

7 So, we have two marginals being suggested without
8 penalty -- pardon me -- three, if we include
9 Labrador, without a penalty.

10 COMMISSIONER GRAHAM: That's correct.

11 CHAIRMAN BROWN: But I think Commissioner
12 Graham's earlier question was, let's talk about
13 Labrador and see if a penalty is appropriate.

14 So, with that, staff, let's go through -- it
15 looked like they had 61 complaints. Can you talk
16 about the history of the system and the quality-of-
17 service issues surrounding -- I did it again --
18 surrounding Labrador?

19 Labrador, to me -- I remember the last rate
20 case. Labrador was always quite contentious.

21 MR. BALLINGER: Correct. And that's why it
22 was a little unusual at the customer service
23 hearing there wasn't that many people.

24 CHAIRMAN BROWN: It's because the rates are
25 going down for the --

1 MR. BALLINGER: Correct. If I'm reading this
2 correctly, is -- I'm going back and reading the
3 staff recommendation -- that Labrador was sent back
4 to go talk to their customers about the chemical
5 analysis. And now they're passing it.

6 So, I think the marginal in the past case was
7 because they needed to go work a solution out, go
8 talk to your customers and do it. They did that.
9 So, they satisfied the Commission's directive.

10 The customers didn't want to pay for it, what
11 the solution was, but now they -- they've done some
12 other sequestrants and some other adjustments of
13 their wells, and now they're passing standards.
14 So, I think that's why staff originally said
15 they're satisfactory.

16 I understand, Commissioner Graham, what you're
17 saying is, the problem is still there and hasn't
18 been fixed, but I think the problem is still there
19 because the -- the customers at that time didn't
20 want to fix it. Now that it's a consolidated
21 system, it might be different.

22 It's -- to me, it's similar to the Pennbrooke.
23 I know I'm adding complexity now. Y'all were real
24 close -- and I hate doing this, but that's our
25 understanding of what's going on, why they're doing

1 it. They're working towards it. And that's why we
2 had them originally as satisfactory.

3 CHAIRMAN BROWN: But if you -- if this -- if
4 UIF Labrador came in as a stand-alone system, I
5 think the customer service hearing would have been
6 completely different.

7 MR. BALLINGER: Perhaps. And I think the same
8 issue would have been -- if the sequestrant issue
9 was the still there, we would have heard and said,
10 all right, customers, they gave you the option you
11 didn't want to do. Okay. Now, what do we do. So,
12 we would have been in a different situation.

13 CHAIRMAN BROWN: I just think that the service
14 hearings were -- were for some of these systems
15 because it's a consolidated rate and folks are
16 getting the benefit of that.

17 MR. BALLINGER: Yes.

18 CHAIRMAN BROWN: And so many -- we saw a
19 difference than we have in previous rate cases for
20 the same systems where customers came out,
21 complaining about the quality of service --

22 MR. BALLINGER: Sure.

23 CHAIRMAN BROWN: -- in droves. And --

24 MR. BALLINGER: Sure.

25 CHAIRMAN BROWN: -- so, I think that skewed

1 this a little bit of -- of the quality-of-service
2 issues.

3 MR. BALLINGER: I agree.

4 CHAIRMAN BROWN: Okay. Commissioner Graham --
5 Commissioner Polmann. Pardon me.

6 COMMISSIONER POLMANN: I -- I think -- I think
7 what you just said may be the reason nobody showed
8 up. Their proposed rate went down to a third.

9 CHAIRMAN BROWN: Right.

10 COMMISSIONER POLMANN: I might not have showed
11 up either.

12 (Laughter.)

13 CHAIRMAN BROWN: Okay. Let's go back to
14 Seminole, the history behind UIF Seminole and the
15 magnitude of complaints --

16 MR. BALLINGER: But if you read the
17 recommendation, the magnitude of the complaints was
18 the Sanlando customers who were complaining about
19 their rates going up, even though they showed up at
20 that customer meeting. It wasn't specific to the
21 Seminole system.

22 CHAIRMAN BROWN: They had -- they've had odor
23 issues, a lot of quality -- secondary water-quality
24 issues for this. And I know that the pro forma
25 that's being proposed is going to address some of

1 the percolation -- tuberculation, pardon me, and
2 the main replacement. The most significant pro
3 forma comes out of this -- out of Sanlando. So,
4 that's going to address that.

5 But I -- obviously, this system needs -- needs
6 upgrades, significant capital-intensive upgrades.
7 Again, if this was the stand-alone system, how
8 would we have addressed -- how would staff have
9 addressed this.

10 MR. BALLINGER: Again, I'm looking at the --
11 the complaints that dealt with the quality, which
12 were the -- some odor. And it appeared to be a
13 from a -- a valve that was partially closed. Once
14 that was open, it seemed to clear things up.

15 Our --

16 CHAIRMAN BROWN: Were you able to determine
17 yet what the Commission did in the last case for
18 this system? You weren't clear when I asked
19 earlier.

20 MR. BALLINGER: No, I am 99 percent sure it
21 was satisfactory. That -- that would be my guess,
22 if it wasn't mentioned here.

23 Staff's approach on these is an -- overall is
24 we look to get compliance. In other words, like
25 you heard with LUSI, they're working cooperatively

1 with DEP. That's why we said, all right, it's
2 marginal. It hasn't met all boxes on a technical
3 basis, to this day. There is still some
4 outstanding, but they're working towards it. So,
5 that's why it's marginal with a penalty.

6 That's -- that's been our approach, if you
7 will --

8 CHAIRMAN BROWN: I appreciate where you're
9 coming from.

10 MR. BALLINGER: Encourage compliance, so --

11 CHAIRMAN BROWN: Yeah.

12 All right. Commissioners. Commissioner
13 Graham -- Brisé.

14 COMMISSIONER BRISÉ: Thank you.

15 So, according to the position of some of the
16 parties, there was the thought of just assessing a
17 penalty across the board, right? And -- just for
18 the sake of us understanding staff's thought
19 process in reaction to that and how that fed into
20 the recommendation as it stands today.

21 CHAIRMAN BROWN: Everybody's looking down. No
22 one wants to take that one.

23 MR. BALLINGER: I guess I'll -- I'll take a
24 shot at it.

25 You're correct. In the -- in the hearing, the

1 witness for OPC, Witness Vandiver, identified, I
2 think it was, nine systems that could be either
3 marginal or unsatisfactory -- didn't fall which way
4 or the other, didn't have a definitive one -- and
5 suggested a range of 25 to 50 basis points, I
6 believe. So, that was the OPC witness at the
7 hearing.

8 At the hearing, she was asked, was it system-
9 wide, individual. She really wasn't definitive on
10 that. In the brief is where OPC came up with
11 everything should be unsatisfactory at 150 basis
12 points. And we did not see additional evidence in
13 the record that made that change. So, that's where
14 we stand.

15 I think the -- the part of service for rate,
16 the way we're approaching this with ROE penalties
17 like for Summertree, it's applied just to that
18 system. That reflects the service to that system.
19 So, that credit is on that system alone for --

20 CHAIRMAN BROWN: Right.

21 MR. BALLINGER: -- if you want to say, for
22 less-than-stellar quality service. So, it helps to
23 balance that -- those mismatches of service to
24 systems.

25 CHAIRMAN BROWN: Commissioner Brisé?

1 MR. BALLINGER: Is that --

2 COMMISSIONER BRISÉ: No, thank you.

3 CHAIRMAN BROWN: Okay. Commissioners --
4 Commissioner Graham.

5 COMMISSIONER GRAHAM: Are we ready for a
6 motion?

7 CHAIRMAN BROWN: I'm hoping we are. So,
8 you -- are you clear with --

9 COMMISSIONER GRAHAM: I just want to --

10 CHAIRMAN BROWN: -- that --

11 COMMISSIONER GRAHAM: I want to run through
12 these one more time to make sure that we're --
13 we're clear. Cypress Lakes, we have marginal with
14 50 points.

15 CHAIRMAN BROWN: Yes.

16 COMMISSIONER GRAHAM: Correct?

17 CHAIRMAN BROWN: That's right.

18 COMMISSIONER GRAHAM: Labrador, we have
19 marginal with no points.

20 CHAIRMAN BROWN: That's right.

21 COMMISSIONER GRAHAM: Mid-County, we have
22 marginal with 50.

23 CHAIRMAN BROWN: Right.

24 COMMISSIONER GRAHAM: Pennbrooke, we have
25 marginal with 50.

1 CHAIRMAN BROWN: Right.

2 COMMISSIONER GRAHAM: Seminole, we have
3 marginal with no points.

4 CHAIRMAN BROWN: Right.

5 COMMISSIONER GRAHAM: Cross Creek, we moved to
6 satisfactory.

7 CHAIRMAN BROWN: Right.

8 COMMISSIONER GRAHAM: And everything else is
9 as staff recommend- -- staff recommended.

10 CHAIRMAN BROWN: You did a good job.

11 COMMISSIONER GRAHAM: Okay. My motion would
12 be to move staff recommendation on all items on
13 Issue 3 except the following: Determination of
14 Cypress Lakes has gone from satisfactory to
15 marginal with 50-basis-point penalty; Labrador has
16 gone to marginal with no points penalty; Mid-County
17 has gone to marginal with 50-basis-point penalty;
18 Pennbrooke has gone to marginal with 50-basis-point
19 penalty; Seminole has gone to marginal with no
20 penalty; Cross Creek has gone from marginal to
21 satisfactory. And --

22 CHAIRMAN BROWN: All --

23 COMMISSIONER GRAHAM: The -- these -- these
24 can be changed -- I guess the question I have --
25 well, I'll -- that will be my motion, if I get a

1 second.

2 CHAIRMAN BROWN: Is there a second?

3 COMMISSIONER POLMANN: Second.

4 CHAIRMAN BROWN: Okay.

5 COMMISSIONER GRAHAM: And then I -- the
6 question I have is: Do we give them a mechanism to
7 go from marginal to satisfactory or we just let
8 them have to handle that --

9 CHAIRMAN BROWN: That's a staff question. And
10 we talked about that as well in my -- my briefing.

11 I -- Mr. Maurey, I think you answered it
12 pretty well.

13 MR. MAUREY: It's been done both ways; to
14 leave it in place until the next case or to put
15 it -- conditions in place that when those
16 conditions are met, that adjustment can be removed.

17 CHAIRMAN BROWN: Okay. Any further
18 discussion?

19 COMMISSIONER GRAHAM: Well, my question --

20 CHAIRMAN BROWN: Commissioner Graham?

21 COMMISSIONER GRAHAM: My question is --

22 COMMISSIONER POLMANN: I think that answer was
23 "A" or "B."

24 COMMISSIONER GRAHAM: Yeah. And my question
25 is --

1 CHAIRMAN BROWN: That's right.

2 COMMISSIONER GRAHAM: -- which one are we
3 doing?

4 (Laughter.)

5 COMMISSIONER POLMANN: I'm fine to leave them
6 in place --

7 COMMISSIONER GRAHAM: Okay.

8 COMMISSIONER POLMANN: -- until the next case.

9 COMMISSIONER GRAHAM: Okay. Well, then my
10 motion stands as -- as moved.

11 CHAIRMAN BROWN: All right. Any further
12 discussion, comments?

13 Commissioner Brisé.

14 COMMISSIONER BRISÉ: So, quick question, just
15 to make sure I'm clear. So, the -- so, the motion
16 would, now, be to keep them in place until the next
17 case, rather than keep them in place until the
18 issue is resolved?

19 COMMISSIONER GRAHAM: I don't have a problem
20 with doing that. I --

21 CHAIRMAN BROWN: Any clarification from legal
22 folks? Legal.

23 MR. HETRICK: You can go ahead.

24 MS. CRAWFORD: Just with the exception of
25 Summertree, to clarify that the conditions that

1 were placed on Summertree with respect to the
2 limited proceeding would continue to be in place?

3 COMMISSIONER GRAHAM: Yes, that was part of
4 the staff recommendation.

5 MS. CRAWFORD: Yes, sir.

6 CHAIRMAN BROWN: Right. Right.

7 COMMISSIONER GRAHAM: The only things we
8 changed were the ones that I said weren't part of
9 the staff recommendation.

10 MS. CRAWFORD: Thank you. That's correct. I
11 should have caught that.

12 CHAIRMAN BROWN: Are you comfortable with the
13 staff -- with our motion, though -- with
14 Commissioner Graham's motion? No problem? Yes.

15 MR. HETRICK: I don't have -- I'm not quite --
16 I understood his motion. I'm comfortable with his
17 motion with the caveats that have been added in
18 this discussion.

19 CHAIRMAN BROWN: Okay.

20 MR. HETRICK: That being Summertree.

21 CHAIRMAN BROWN: Okay. Are we clear with the
22 motion?

23 COMMISSIONER GRAHAM: Okay.

24 CHAIRMAN BROWN: Yes, Commissioner Graham.

25 COMMISSIONER GRAHAM: The motion -- there's

1 only -- one, two -- three that have any basis-point
2 penalty.

3 CHAIRMAN BROWN: Uh-huh.

4 COMMISSIONER GRAHAM: If -- as Commissioner
5 Brisé asked the question, do we want to give them
6 what needs to be fixed to get rid of that or --

7 CHAIRMAN BROWN: Wait until the next rate
8 case.

9 COMMISSIONER BRISÉ: So --

10 CHAIRMAN BROWN: Commissioner Brisé.

11 COMMISSIONER BRISÉ: Thank you.

12 So -- so, my concern is the reason for the
13 penalty, I -- I think, is to -- to help move the
14 company in a direction of compliance. And so,
15 if -- if I'm the company and I'm going to stay
16 marginal until the rate case, I have no incentive
17 to -- to redress it.

18 And so, my thought is that you put the penalty
19 and you have an incentive -- the company, then, has
20 an incentive to fix it as quickly as possible so
21 that they can find a place to -- to be made whole,
22 moving from the point of compliance.

23 CHAIRMAN BROWN: Mr. --

24 COMMISSIONER BRISÉ: So, that's my -- that's
25 my thought.

1 CHAIRMAN BROWN: Mr. Maurey.

2 MR. MAUREY: If I may clarify my earlier
3 answer, I didn't want to imply it had to be a rate
4 case. It --

5 CHAIRMAN BROWN: Limited proceeding.

6 MR. MAUREY: -- could be a limited proceeding.
7 The distinction I was trying to make was,
8 would certain conditions be laid out in the order
9 that, once met, the penalty could be relieved? Or
10 would it be put in place until the company came
11 back before the Commission to demonstrate it?

12 CHAIRMAN BROWN: I think that is the cleanest
13 way to do it is have -- administratively, when the
14 company comes back and petitions for a reduction.
15 That's just the cleanest way to do it.

16 Commissioners, are you in agreement?

17 COMMISSIONER BRISÉ: Yes.

18 CHAIRMAN BROWN: Okay. So, we have a motion.
19 We have a proper second. We've had a lot of
20 discussion on it. So, the record is clear on how
21 those basis points can be removed as a penalty for
22 those systems, not for Summertree.

23 All right. Any further discussion?

24 Seeing none, all those in favor, say aye.

25 (Chorus of ayes.)

1 CHAIRMAN BROWN: All right. Motion passes
2 unanimously.

3 We're going to -- before we take a break, we
4 are just going to go to Issue 4, which is the ERC
5 allocation-threshold issue. We will be taking a
6 break shortly before noon, about a 15-minute break.

7 So, with that, let's have a quick summary on
8 Issue 4, please.

9 MR. ELLIS: Phillip Ellis with the Commission
10 staff.

11 Issue 4 is the equivalent residential
12 connection count used to allocate common costs
13 between systems. Staff's recommendation is
14 consistent with OPC's Witness Ramas' methodology
15 and uses the most-recent data available in the
16 record for the number of customer connections by
17 system.

18 Staff is available for any questions.

19 CHAIRMAN BROWN: Commissioners, I -- I didn't
20 have any questions on this at all.

21 Comm- --

22 COMMISSIONER BRISÉ: Move staff.

23 CHAIRMAN BROWN: Is there a second?

24 COMMISSIONER GRAHAM: Second.

25 CHAIRMAN BROWN: Any discussion?

1 Seeing none, Issue 4 passes.

2 Let's go to rate base on Issues 5 through 8.

3 Let's take those up together, if we can.

4 COMMISSIONER BRISÉ: (Inaudible.)

5 CHAIRMAN BROWN: Oh, sorry. All those in
6 favor, say aye.

7 (Chorus of ayes.)

8 CHAIRMAN BROWN: Okay. The motion passes on
9 Issue 4. Thank you, Commissioner Graham.

10 So, we're going to take up Issues 5 through 8
11 on rate base.

12 MS. NORRIS: My introduction is for all the
13 rate base collectively -- issues collectively.
14 Good afternoon. I'm Amber Norris with Commission
15 staff.

16 Issues 5 through 22 comprise a group of rate-
17 base issues. These issues include pro forma plant
18 projects in Issue 9 and used-and-useful adjustments
19 in Issue 16. As you said, though, we'll only go
20 through eight currently. Staff would like to note
21 that Issues 7, 9, 10, 12, 16, and 21 are dependent
22 on subsequent issues.

23 Staff is available for any questions.

24 CHAIRMAN BROWN: Thank you, Ms. Norris.

25 Personally I will have a lot of questions on

1 Issue 9. I -- I assume my colleagues are going to
2 have questions on Issue 9.

3 But I would like to take up Issues 5 through 8
4 for the Commissioners. If you have a questions on
5 any those issues -- I don't. And if you don't,
6 I'll --

7 COMMISSIONER POLMANN: Move staff
8 recommendation.

9 CHAIRMAN BROWN: On Issues 5 through 8?

10 COMMISSIONER POLMANN: Yes.

11 CHAIRMAN BROWN: Is there a second?

12 COMMISSIONER GRAHAM: Second.

13 CHAIRMAN BROWN: Any further discussion on
14 five through eight?

15 All those in favor, say aye.

16 (Chorus of ayes.)

17 CHAIRMAN BROWN: Motions pass -- motion
18 passes. Thank you.

19 How about taking up -- although, 10A, 10B, 13,
20 14, 15, 17 have been stipulated, and were already
21 approved. So, how about we take up Issues 10, 11,
22 12, 16, and 18 through 22.

23 COMMISSIONER POLMANN: What comes after 12?

24 CHAIRMAN BROWN: 13 -- oh, pardon me. 16 and
25 18 through 22. So, we've got issues 10 that we're

1 taking up, Issue 11 we're taking up, and 12,
2 Issue 16, and Issues 18 through 22. All right?

3 Staff, can you do an overview of those,
4 please.

5 MS. NORRIS: I apologize. My introduction was
6 kind of to encompass all of those, but those are
7 the latter half of the rate-base issues that deal
8 with used-and-useful adjustments and adjustments to
9 working capital among -- among those.

10 CHAIRMAN BROWN: Okay. All right. Starting
11 with Issue 10, Commissioners, any questions on
12 Issue 10?

13 Seeing none, we're ready for a motion on that.

14 COMMISSIONER BRISÉ: Move staff.

15 CHAIRMAN BROWN: Is there a second?

16 COMMISSIONER GRAHAM: Second.

17 CHAIRMAN BROWN: Any discussion?

18 All those in favor, say aye.

19 (Chorus of ayes.)

20 CHAIRMAN BROWN: Issue 10 passes.

21 Let's take up 11 and 12 together -- oh, pardon
22 me -- 11, 12, and 16 together. Any questions on
23 any of those items, 11, 12, and 16?

24 COMMISSIONER BRISÉ: Move staff.

25 COMMISSIONER GRAHAM: Second.

1 CHAIRMAN BROWN: Is there any discussion?

2 Seeing none, all those in favor, say aye.

3 (Chorus of ayes.)

4 CHAIRMAN BROWN: Motion passes on Issues 11,
5 12, and 16 for staff recommendation.

6 Moving on to Issues 18 through 22,
7 Commissioners, any questions or discussion on those
8 items? And please don't feel rushed. Take your
9 time.

10 Yes.

11 MR. MAUREY: (Whispering) Yeah, we can't vote
12 on 22.

13 CHAIRMAN BROWN: Do you want the caveat on all
14 the motions that staff would have administrative
15 authority?

16 MR. MAUREY: No, I was going to clarify that
17 we -- we can't vote on 22 until after nine has been
18 resolved.

19 CHAIRMAN BROWN: Okay. So, 18 through 21.

20 COMMISSIONER GRAHAM: Move staff.

21 CHAIRMAN BROWN: Is there a second?

22 COMMISSIONER POLMANN: Second.

23 CHAIRMAN BROWN: Is there any discussion --
24 just a second. Good.

25 All those in favor on Issues 18 through 21,

1 signify by saying aye.

2 (Chorus of ayes.)

3 CHAIRMAN BROWN: Motion passes.

4 All right. We are going to take about --
5 we're going to reconvene around 12:10. Take a --
6 so you folks in the audience and staff can grab
7 some quick lunch, food. You've got about a
8 20-minute break.

9 We will see you back here -- we are in recess
10 until 12:10 promptly. Thank you.

11 (Brief recess.)

12 CHAIRMAN BROWN: We are going back on the
13 record now. I appreciate everyone complying with
14 our 12:10 sharp (laughter). I think I was guilty
15 as well, too, so -- we're all a little guilty on
16 that.

17 We are circling back on to Issue 9, which are
18 the pro forma plant additions. And Ms. Buys,
19 you're going to give us, if you could, a brief
20 overview of the projects that are in contention.

21 MS. BUYS: Commissioners, there is -- we
22 identified 18 projects that everybody pretty much
23 agreed with. In the remaining projects, there was
24 some disagreement. And most of that is about the
25 timing of when the documentation was received.

1 Do you want me to --

2 CHAIRMAN BROWN: Yeah -- well, let --

3 MS. BUYS: -- go -- I mean --

4 CHAIRMAN BROWN: Could you do -- first do an
5 overview of how this -- and maybe legal or
6 someone -- maybe Mr. Trierweiler could -- could
7 kind of go -- the overview of what happened in this
8 case and what was filed with the direct testimony
9 and then what was filed on rebuttal.

10 There was a little bit of confusion along the
11 way, per OPC. But then when I was reviewing some
12 of these issues, I had confusion because, in a lot
13 of regards, the projects that were being proposed
14 increased -- netted about a seven-million increase
15 from the direct to the rebuttal.

16 And I know we're looking at pro forma and
17 future projects, but a lot of these projects are
18 just bids; they're not completed projects. So, the
19 bids have changed over time. Can you kind of just
20 walk us through an overview of what happened here?

21 MR. TRIERWEILER: Yes, Madam Chair. As you'll
22 recall, not all of the pro forma projects were
23 completely fleshed out in the MFRs. Once the MFRs
24 were -- were fixed, there were some -- there were
25 some issues initially with the MFRs, some

1 deficiencies. The deficiencies were fixed.

2 Staff rolled into its discovery and noticed
3 there were a number of pro forma projects that
4 required more information. We submitted those
5 discovery requests; received discovery in multiple
6 requests beginning on February 21st, then
7 March 2nd, then later in March that fully -- more-
8 fully fleshed out these -- these pro forma
9 requests.

10 And these were all combined, not only filed in
11 those 10 pro forma requests at that time, but also
12 made it into the rebuttal of the utility. However,
13 OPC's witness, Mr. Woodcock had determined that he
14 didn't have the time to go through this information
15 and did not -- did not look into --

16 CHAIRMAN BROWN: Yes, that was not persuasive,
17 by the way. That argument was not persuasive by
18 any means. But really the question is: Why were
19 some of these changes from -- I mean, from a period
20 of six months from the direct -- how did -- there
21 were so many fluctuate- -- seven million netted
22 from the direct to the rebuttal.

23 Does anybody have an understanding as to why
24 they varied on a case- -- I mean, if this is -- my
25 understanding is that this isn't an aberration in

1 the industries. This is customary across the
2 industries.

3 However, this particular case seems to jump
4 out based on the sheer magnitude of costs that --
5 and I really try to want to get an understanding of
6 the items -- there are a couple of items in here
7 that looks like the projects were not even
8 originally requested in the direct.

9 How, in a period of six months, did it change
10 so much?

11 MR. BALLINGER: I'll try to address that.
12 That's not uncommon for bids to change. And as
13 you're aware, when the testimony was filed -- these
14 are prospective projects. So, you're looking --
15 you're still going out for bids, getting permits,
16 things of this nature.

17 Sometimes the scope of work changed, depending
18 if a city or county -- or what they found when they
19 started to do demolition of certain things. They
20 found additional things to -- had to be done. That
21 can cause change orders.

22 You had changes in labor rates and material
23 costs, things of that -- it was a variety of
24 reasons why changes -- some went up; some went
25 down. Yes, the net was an increase of seven, but

1 they changed.

2 I would like to point out, too, that even on
3 the -- the list of pro forma items that OPC and the
4 company agreed upon, there are several items in
5 there that changed from the direct testimony based
6 on discovery responses and provided updated
7 information, which OPC subsequently agreed to.
8 Some went up, some went down, but again, it was
9 getting the most-recent information and the most-
10 accurate information possible.

11 So, it -- it's a variety of things.

12 CHAIRMAN BROWN: So, what we're hearing
13 here -- what we are dealing with here is a
14 historical test year, okay, with pro forma projects
15 that must be completed within 24 months per
16 Section 367.081.

17 MR. BALLINGER: Correct.

18 CHAIRMAN BROWN: It puts us in a very unusual
19 situation. Normally, we would have a phase-in
20 approach in a case -- in a water case, we would
21 have -- you know, Phase 1 would be -- and then the
22 Phase 2 -- once the projects were completed or
23 expected to be completed within 24 months, the
24 Phase 2 rates would go into effect.

25 Here, by the way, 24 months is December 31st

1 of this year.

2 MR. BALLINGER: Right.

3 CHAIRMAN BROWN: And it gives me a great deal
4 of pause. And my biggest issue with the entire
5 case is the pro forma, this Issue 9. It be- --
6 okay. So, we've got all these, based on the
7 testimony, dates -- we've got these projects like
8 Eagle Ridge, PCF-3. Okay.

9 They had bids for engineering work all the way
10 back in early 2015 or -- or they started looking at
11 this in 2015, but they didn't actually get quotes
12 for the project until March 2017, right, when
13 the -- of course --

14 MR. BALLINGER: Right.

15 CHAIRMAN BROWN: -- right, when the case is
16 here.

17 MR. BALLINGER: Well, the case had already
18 been filed at that time.

19 CHAIRMAN BROWN: Right.

20 MR. BALLINGER: And again, that's a
21 management -- direction of -- of deciding which
22 projects to undertake, what -- there might be
23 delays beyond their control; example, getting
24 permits, things of this nature.

25 CHAIRMAN BROWN: Did -- did the staff look at

1 those issues? I mean, if the delay escalates the
2 costs, obvi- -- we all know labor costs are
3 increasing right now. And based on the testimony,
4 labor costs, equipment are inc- -- the longer you
5 delay a project. And there are several instances
6 where the work -- the engineering work begins in
7 20- -- for different projects that are in
8 contention, they began in 2015 --

9 MR. BALLINGER: Right.

10 CHAIRMAN BROWN: -- but then you don't even
11 get a quote for the majority of the work --

12 MR. BALLINGER: Right.

13 CHAIRMAN BROWN: -- until 2017.

14 MR. BALLINGER: Because a lot of that will be,
15 once you get the engineering specs that you need to
16 do, then you talk with management to see, all
17 right, what's it going to cost, where are we going
18 to allocate resources and decide which projects to
19 go forward with, to actually get bids for -- it's
20 a -- a long process. And it varies by the project
21 that's going on.

22 I guess, what I -- staff had a consistent
23 approach for both the ones that the parties agreed
24 to and the ones that they disagree with. And
25 that's -- we looked at most up-to-date information

1 we got, and it's the same level of documentation --
2 bids, invoices, quotes, whatever -- to do that.
3 And that's -- that's where we did our analysis.

4 CHAIRMAN BROWN: So, I've got PC- --
5 Mr. Flynn's Exhibit PCF-51. And it has projects
6 that have been completed and then projects that are
7 expected to be completed. Majority of projects are
8 expected to be completed within the 24-month
9 window. But the majority also haven't begun -- the
10 ones that are in contention -- the majority of
11 those haven't even begun yet.

12 MR. BALLINGER: I can't speak to that. I -- I
13 don't know what you're getting at to see how they
14 haven't even started yet. That's --

15 CHAIRMAN BROWN: The testimony -- the
16 testimony that's been filed -- okay. So, here is
17 what I'm trying to get at: Because we're not doing
18 a phase-in rates, these projects, staff believes,
19 are prudent. And none of the parties objected to
20 the prudence of even the ones in contention.

21 MR. BALLINGER: Correct.

22 CHAIRMAN BROWN: So, it puts us in a situation
23 where -- whether these projects -- we have to -- we
24 take staff's word on this that these projects are
25 deemed prudent, since nobody -- none of the parties

1 objected to -- to that.

2 MR. BALLINGER: I don't think that's -- where
3 we looked at it, was it needed for a DEP
4 requirement. Some of these are responses to DEP.
5 They're deficiencies or inspections of a tank
6 needing replacement, things of this nature.

7 Others are through maintenance of noticing
8 failed water main lines or sewer main lines, to
9 replace asbestos concrete piping, especially; to go
10 in and replace segments of pipe like that. Others
11 are road movements where they have to relocate,
12 things of that nature. So, staff looked at the
13 reason behind them and did not see ones that --
14 that appeared unreasonable.

15 We also looked at, with the invoices and bids
16 that came in -- did they match the scope of work as
17 the project -- in other words, they didn't include
18 things like fishing trips or odd, you know,
19 vacations or some -- which, you know, we've found
20 in instances of things of this nature -- I mean, in
21 other instances. So, we look at that to see that
22 it is going with the scope of the work and not
23 expanding it from what was described.

24 CHAIRMAN BROWN: But there are -- there are
25 projects that have expanded work.

1 MR. BALLINGER: Yes, and they've --

2 CHAIRMAN BROWN: And we'll talk about those
3 specifically in a second.

4 MR. BALLINGER: And they've expanded for
5 reasons -- either a -- a city or county has changed
6 a requirement or once they got into a project or
7 decided, okay, we also have to replace X, Y, and Z.

8 CHAIRMAN BROWN: So, now, I'm circling back to
9 my original thoughts on -- because a lot of the
10 expanded products -- projects, the scope expanded
11 on rebuttal. Office of Public Counsel -- were
12 they -- did they ask questions to give staff
13 comfort that the scope was still deemed prudent,
14 even though it was expanded on rebuttal?

15 MR. BALLINGER: I don't know that the scope
16 expanded a lot on rebuttal. And no, OPC did not
17 question. They -- they basically stopped. They
18 said, we're not going to go further. I counter
19 that with, the ones they did agree on, discovery
20 did come in. They looked at it and said, okay,
21 we're good.

22 So, I -- it's a timing issue. The issue with
23 pro forma is really the timing of it. It's not
24 about the quality or level of detail that was
25 provided. That's similar and very consistent with

1 how the Commission has practiced for pro forma as
2 long I've been doing it -- which hasn't been that
3 long, by the way, for this.

4 CHAIRMAN BROWN: Right. Right.

5 MR. BALLINGER: But it's a timing issue.
6 They -- they were contending they didn't have time.
7 And that issue was dealt with with the motion for
8 reconsideration early on in the proceeding, I
9 think.

10 CHAIRMAN BROWN: And I appreciate you walking
11 us through that again. Again, because it kind of
12 intertwined with the -- the reasoning behind some
13 of the in-justification and the documentation that
14 was submitted. So, it really had me looking a
15 little bit closer at it because -- because of the
16 net increase of seven million on rebuttal.

17 Why didn't they file all of the supporting
18 documentation on direct?

19 MR. BALLINGER: I -- I --

20 CHAIRMAN BROWN: Like -- Eagle Ridge, for
21 example -- Eagle Ridge -- okay. It's -- they
22 filed -- it's PCF -- 3 -- thanks -- PCF-3. They
23 had quotes for the engineering work back in 2016
24 for the whole project and -- and again -- in the
25 direct testimony, Mr. Flynn requested 350. Okay.

1 But then, of course, during the rebuttal, that
2 expanded to 938. I mean, triple the amount on
3 direct --

4 MR. BALLINGER: And --

5 CHAIRMAN BROWN: From direct.

6 MR. BALLINGER: I don't know why they didn't
7 include it, if they had bids at the time they filed
8 testimony. That's a company decision that they
9 made or -- or overlooked. I don't know.

10 I do know, though, that that's why we asked
11 discovery. That's why we have the process to go
12 and ferret these things out and provide it. Some
13 of this might have been provided as discovery even
14 prior to rebuttal. I don't know.

15 MS. BUYS: With that particular one, even
16 though his written direct said it was 350, he did
17 provide an exhibit with at least on 873 worth of
18 bids and quotes. And then he updated some of those
19 in the rebuttal. So, some of them, his written
20 direct didn't always match what his exhibits were,
21 which didn't match the MFRs.

22 CHAIRMAN BROWN: But it looked like staff went
23 ahead, though -- and in some instances, Mr. Flynn
24 rounded -- rounded the number -- because again,
25 they're bids. But staff went ahead and rounded

1 them up to the actual bid amount in the
2 recommendation. So, it was more than the -- even
3 Mr. Flynn provided as a number. And there's nine
4 instances where staff went up based on the bid
5 amounts.

6 MR. BALLINGER: It's the actual amount in the
7 bid, yes.

8 CHAIRMAN BROWN: But it's a bid. It's not
9 even an invoice.

10 MR. BALLINGER: True.

11 CHAIRMAN BROWN: So, why would -- why would --

12 MR. BALLINGER: Some of them -- some of the
13 totals are on invoices. And we went for the total
14 of either what the invoice or the bid did.

15 CHAIRMAN BROWN: I was just so confused with a
16 lot of the detail and supporting documentation
17 here. You know, customers -- we hear -- they want
18 to know what they're getting for their money. And
19 the big part of this is this Issue 9, the pro
20 forma. And that's a big driver in this proceeding.
21 And it -- it does demand a lot of attention and it
22 demands a lot of attention and analysis from the
23 Commission here.

24 But because this isn't a phase-in approach,
25 how is the Commission going to know if the utility

1 actually performs and completes the work once this
2 order -- if we go ahead and approve the
3 recommendations that staff is making, they have a
4 statute that says that they must be completed
5 within 24 months. And that would make it
6 December 31st, 2017.

7 The case -- once we issue an order, how are
8 we -- what mechanism do we have to even say that
9 these cust- -- that these projects have been
10 completed and that the money that the utility is
11 being allocated is being used for those necessary
12 and prudent projects that staff is recommending?

13 MR. BALLINGER: I'll -- I'll give you my
14 understanding and -- and the accounting folks can
15 pitch in, if they want. But assuming these goes in
16 place -- go in service, it will show up in the
17 annual reports of the utility of additions to plant
18 and rate base. And that's where you look. And at
19 the next rate case is where staff would look at,
20 okay, let's drew up what projects were done and
21 were not done and why.

22 But in every industry we have, we --

23 CHAIRMAN BROWN: I'm only talking about this,
24 Mr. Ballinger.

25 MR. BALLINGER: Okay. And even --

1 CHAIRMAN BROWN: Please, let's not --

2 MR. BALLINGER: Then I'll --

3 CHAIRMAN BROWN: This particular case.

4 MR. BALLINGER: This particular case -- which
5 is consistent with how we treat others -- is it's a
6 dollar amount for projects identified. But after
7 the fact, the utility has to use management
8 judgment to which projects go forward, which get
9 delayed because things happen, stuff like that, and
10 allocate their resources.

11 So, we're not tracking on a project-by-project
12 basis. If we do, the better way would be an escrow
13 account. Keeping --

14 CHAIRMAN BROWN: Well, that --

15 MR. BALLINGER: -- track --

16 CHAIRMAN BROWN: -- we don't want to do.

17 MR. BALLINGER: Right.

18 CHAIRMAN BROWN: But in -- again, we have a --
19 normally, we would handle this as a phase-in
20 approach, with Phase 2 rates. We don't --

21 MR. BALLINGER: Where we get it a lot is with
22 staff-assisted rate cases where the request for pro
23 forma is two years out from where we're dealing
24 with it, because it's coming in in dribs and drabs.
25 And a lot of times we get the request for the pro

1 forma a month maybe before the recommendation is
2 filed.

3 And then it's put in as a Phase 2 when it's
4 completed because we have -- it's such a lead time.
5 This case, the time of the case to process the
6 hearing -- we're at the end of the two years
7 basically.

8 CHAIRMAN BROWN: Right.

9 MR. BALLINGER: So, things are either 90-
10 percent complete or about complete. So, it's --

11 CHAIRMAN BROWN: I -- I just want a mechanism
12 to ensure that customers know what -- what they're
13 paying for, what assets they're paying for; whether
14 it's some type of report at the expiration of the
15 24 months that says, here are the projects that
16 have been completed, here is where the amounts --
17 because a lot of this is based on bids. And
18 they're going into rate base and the customers are
19 paying for it.

20 I would like some type of mechanism, since
21 we're not phasing in these rates, maybe -- maybe
22 require the utility to file a report at expiration
23 of the 24 months, which would be December 31st.
24 So, maybe give them a few months thereafter from
25 completion of the projects so that we can ensure

1 that we know what projects have been actually done.

2 Because a lot of these projects have been
3 out- -- I mean, have been outstanding since 2015
4 and haven't been performed. They haven't been
5 done, obviously waiting for the rate -- you know,
6 or haven't been prioritized.

7 Does that sound reasonable?

8 MS. NORRIS: Yes, ma'am. I -- and then also,
9 too, just to clarify on -- I guess on the deadline
10 in terms of the end of the year, a couple of months
11 out in terms of, I guess, is the DEP certifying
12 that it's placed in service? Is that what --

13 CHAIRMAN BROWN: Yes.

14 MS. NORRIS: Okay.

15 CHAIRMAN BROWN: So, what would that be; like,
16 a March 2018 date, you think?

17 MS. NORRIS: I think that would -- that would
18 be a good -- March 31, 2018. And then certainly we
19 could have language in there in terms of if they
20 needed to notify for additional time or --

21 CHAIRMAN BROWN: That would give me a great
22 deal of --

23 MS. NORRIS: Okay.

24 CHAIRMAN BROWN: Commissioners, at least we
25 know what projects are actually done and, again,

1 comply with the statute, which they're -- they must
2 comply with the statute here.

3 MS. NORRIS: Do --

4 CHAIRMAN BROWN: Commissioner -- thank you.

5 So, just a couple of questions on the specific
6 projects. The big one is the eight-million one,
7 the PCF-

8 COMMISSIONER GRAHAM: -- 27.

9 CHAIRMAN BROWN: -- 27, thank you.

10 On Page 80, it's PCF-27, the Sanlando Shadow
11 Hill diversion project. So, this one went from
12 four million to eight mill- -- 4.2 million to
13 8.1 million in a span of six months.

14 The utility testified on Page 80 -- second
15 full paragraph, third sentence, it says: UIF
16 indicated that the new operations building and
17 storage building could be eliminated; not a
18 necessity, not critical.

19 How much would that be of the costs that are
20 being proposed? Do we have a number here?

21 MR. BALLINGER: Yes --

22 CHAIRMAN BROWN: Because I see --

23 MR. BALLINGER: That --

24 CHAIRMAN BROWN: -- a storage building, but --

25 MR. BALLINGER: The -- for the office design,

1 the storage building, and the operations building,
2 that total would be 714,657.

3 CHAIRMAN BROWN: 700- -- 14?

4 MR. BALLINGER: 14 -- 714,657.

5 CHAIRMAN BROWN: 657. Again, the utility,
6 itself, testified that it didn't need to occur.
7 They could remove that amount. So, including it, I
8 think, is unnecessary. I think it's excessive.
9 It's not a critical project of an \$8 million
10 project. Commissioners -- thank you.

11 Another project that looked -- again, exceeded
12 the scope of the need was the one with the city --
13 that needed the city approval. Okay. PCF-41,
14 Seminole County, the main location -- and I know
15 there's another similar issue that needed city
16 approval in the non-contested issues.

17 Here, it -- the project went from 120,000 to
18 689,000. I mean, quadrupled -- more than
19 quadrupled, but obviously, it would have been nice
20 to have verification from the city that said that
21 that expanded the scope, but all -- my -- my --
22 what I understand is all we got was a change order
23 on UIF's forms.

24 MR. BALLINGER: Which is -- is included as
25 their exhibit. So, it's part of the record. It's

1 testimony, which is the same level of -- of detail
2 we got for other projects. The order of
3 magnitude -- I don't want to say it doesn't matter.

4 CHAIRMAN BROWN: \$500,000 matters.

5 MR. BALLINGER: But -- I guess you could --

6 CHAIRMAN BROWN: I just -- I mean, it's the
7 utility's burden to provide evidence and a change
8 order saying that the project went from \$100,000 to
9 almost \$700,000. Doesn't give me comfort that it's
10 justified. I would -- I mean, I would like to see
11 some verification from the city that said that this
12 is expanded because of it.

13 You don't have a problem with that?

14 MR. BALLINGER: I'm trying to recall if they
15 explained that, because of this, it increased the
16 amount of pipe that had to be done. So, it
17 increased the materials. It's not just that. I'm
18 drawing a blank on that one.

19 MS. BUYS: It was the route --

20 MR. BALLINGER: Right.

21 MS. BUYS: -- for the mains that had --

22 CHAIRMAN BROWN: That's what I understood.

23 MS. BUYS: -- to change.

24 MR. BALLINGER: And I can't remember if

25 they -- if they detailed they could increase it by

1 40 percent of the pipe. That I don't know.

2 CHAIRMAN BROWN: I just don't think the burden
3 has been met by change order. It doesn't seem to
4 justify it. But this is just some of the issues
5 that I had with the supporting documentation here.

6 And then there's -- just another one, what
7 projects were not originally requested in Flynn's
8 direct; the splitter-box replacement.

9 MS. BUYS: Lake Groves Splitter Box, the
10 replacement-pole program, and the boombox.
11 However, those were all listed on the MFRs. So,
12 his testimony didn't list all the projects that
13 were listed on the MFRs.

14 CHAIRMAN BROWN: Okay.

15 MS. BUYS: So -- yeah.

16 MR. BALLINGER: In other words, it didn't
17 specifically identify it as a pro forma project,
18 but it was embedded in the MFR request.

19 CHAIRMAN BROWN: The amount was embedded.

20 MR. BALLINGER: Yes.

21 MS. BUYS: Yes.

22 MR. BALLINGER: And -- and the --

23 MS. BUYS: The amount.

24 CHAIRMAN BROWN: Just the amounts, the
25 monetary amount, the capital amount.

1 MS. BUYS: Yes, the vehicle replacement
2 program is allocated through all the systems, but
3 the Lake Groves Splitter Box was for -- I think
4 that's a LUSI system.

5 CHAIRMAN BROWN: I mean, does staff think that
6 both of those are, again, reasonable and prudent
7 projects?

8 MR. BALLINGER: Yes, ma'am.

9 CHAIRMAN BROWN: Do you provide -- was there
10 sufficient information to -- to warrant both of
11 those projects? The vehicle -- it looked like, in
12 the MFRs, the vehicle replacement was originally at
13 900,000.

14 MS. BUYS: Yes.

15 CHAIRMAN BROWN: And then it dropped to 175.

16 MS. BUYS: Yes. We went around with discovery
17 and asked questions. And Flynn's PCF-51, he
18 dropped it down to 175.

19 CHAIRMAN BROWN: Why?

20 MS. BUYS: He -- because the -- originally, I
21 think it included not just the vehicles, but
22 possibly upgrades to the vehicles, tags -- you
23 know, paying for the tags and other similar items
24 for vehicles. And so, here, he just pulled out the
25 five vehicles.

1 CHAIRMAN BROWN: Thank you.

2 Commissioners, I'm going to give you just
3 my -- my thoughts on this. I obviously went around
4 on this a lot. I only could find those two --
5 two areas by record evidence that wasn't justified
6 based on the documentation. That was the \$714,000
7 and 60 -- \$714,657 that is not necessary, attested
8 to by UIF's own witness; as well as -- the
9 difference -- \$569,000, which was not corroborated
10 by -- and is in contention by the supporting
11 documentation of the city.

12 There is nothing that supported it, other than
13 Utility, Inc.'s -- so, that's a total of
14 \$1.283 million \$657 that I think should be excluded
15 from -- in addition, from the pro forma.

16 Commissioner Polmann.

17 COMMISSIONER POLMANN: Thank you, Madam
18 Chairman.

19 To your point, on PCF-41, it's a force-main
20 relocation on Page 87. In the second full
21 paragraph, in the middle, Witness Flynn explained
22 the increase in cost of project was due to a change
23 in the plan of route.

24 Originally, UIF planned the route using the
25 shortest available distance between the lift

1 station and the force main. However, city staff
2 required UIF to utilize specific point-of-
3 connection. This changed the length of pipe, so
4 forth, and -- and Seminole County requires
5 excavation removal of the existing pipe.

6 It seems clear in the writing that working
7 with the city and the county, there were certain
8 requirements. I think, Madam Chairman, to your
9 point, there was inadequate documentation.

10 There are circumstances that I'm familiar with
11 where the local government imposes certain
12 requirements on the utility. And it will -- it
13 will become the utility's expense. I think the
14 issue here is that there is not adequate
15 documentation. So, I'm not sure exactly how -- how
16 to address that.

17 I'm not disputing that they didn't provide
18 documentation. I would accept that this would be a
19 legitimate cost that would be imposed upon the
20 utility if the project were to go forward.

21 So, how we get the documentation to satisfy
22 the requirements that it -- that it be an
23 appropriately-reimbursed project -- how do we get
24 over that hurdle, is my question. I'm not --

25 CHAIRMAN BROWN: Commissioner Polmann, the

1 record is closed. So, there isn't -- there wasn't
2 an opportunity to get it, which is why I don't
3 think the burden has been met.

4 COMMISSIONER POLMANN: Thank you.

5 CHAIRMAN BROWN: Commissioner Brisé?

6 COMMISSIONER BRISÉ: Yes, and I think I would
7 agree with that; it is the company's burden to
8 provide the documentation. If you -- if you want
9 to build something and the city or the county is
10 telling you that you -- the route needs to be
11 changed, there's -- I'm sure that the city
12 communicated or the county communicated effectively
13 with the company to -- to -- to request that.

14 And it's the company's responsibility to
15 provide the record to the -- to the Commission so
16 that it can justify it. And if it -- if that's not
17 done, that's not -- it's not the Commission's
18 responsibility to build the record for the company
19 in that way. It's the Commission's responsibility
20 to build the record so that the Commission could
21 arrive at a decision; not -- this is not a SARC.

22 And this company certainly has the resources
23 to -- necessary to -- to avail itself of staff to
24 ensure that -- that the documents required to
25 support its case are made available.

1 COMMISSIONER POLMANN: Thank you. I
2 appreciate that.

3 CHAIRMAN BROWN: Thank you, Commissioner
4 Brisé. Love those comments.
5 Commissioner Graham.

6 COMMISSIONER GRAHAM: Thank you, Madam Chair.
7 I guess the question I have -- and this is either
8 to you or back to staff, the -- if this needs to be
9 done, and they choose to move forward doing this,
10 is this best done, like, through a limited
11 proceeding?

12 MR. BALLINGER: I would think so.
13 Andrew?

14 MR. MAUREY: Yes, if it's not recovered here
15 and it's completed, it could come back through a
16 limited proceeding.

17 CHAIRMAN BROWN: So, here is my question,
18 Commissioner Graham: They -- they got these quotes
19 back in April 2016, before the direct testimony was
20 filed, by the way. It wasn't even supported in the
21 direct. Comm- -- Mr. Flynn didn't even attach that
22 to his direct. He attached it to his rebuttal.
23 They -- even the requested amount. I mean, but
24 they got the quote according to -- the majority of
25 the work was even before the direct was filed.

1 Why didn't Mr. Flynn attach the supporting
2 documentation to his original request, which was,
3 by the way, 120,000, back then, even though the
4 quote was for 681.

5 COMMISSIONER GRAHAM: Madam Chair, I didn't
6 say you were wrong. My question was: If this
7 is --

8 CHAIRMAN BROWN: Say I'm right. Say it.
9 (Laughter.)

10 COMMISSIONER GRAHAM: If this is a project
11 that they want to move forward with, what do they
12 have to do if we choose to pull this out?

13 CHAIRMAN BROWN: Yeah. Okay -- you know I
14 would like that. I just want to hear you say I'm
15 right.

16 Commissioners, any other questions? So, we've
17 got -- I think we're clear that -- to -- we -- we
18 have the authority to pull it out; is that correct?
19 And if the utility wanted to do a limited
20 proceeding on it, even though they're already
21 recovering, they would be recovering the 100 --
22 let's say -- would you recommend pulling the entire
23 amount out?

24 MR. MAUREY: If you're removing the project,
25 you should remove the full amount, not the net.

1 CHAIRMAN BROWN: Okay. So, my recommendation
2 would be to pull the whole project out because of a
3 lack of supporting documentation, sufficient
4 supporting documentation. And that's PCF-41, which
5 would be six -- staff's recommendation was 688,631,
6 plus the other amount in the other issue, seven --
7 which was 714,657 for a total of -- oh, my gosh --
8 one million four hundred and three dollars and two
9 hundred eighty-eight.

10 So, my -- my recommendation would be to reduce
11 pro forma from staff recommendation further by that
12 amount and include a report on all pro forma items
13 by March 31st, 2018.

14 MS. NORRIS: And could I -- for just one other
15 point of clarification, just to make sure we're
16 capturing that correctly, on the report, would you
17 also like that to include the support documentation
18 as well?

19 CHAIRMAN BROWN: Yes.

20 MS. NORRIS: Okay.

21 CHAIRMAN BROWN: Absolutely. Yes.

22 MS. NORRIS: Okay. Just wanted to make sure
23 that we were clear in there. Okay. Thank you.

24 CHAIRMAN BROWN: Absolutely. Not just bids,
25 actual invoices.

1 All right. Commissioners, any questions?

2 Comments? Further --

3 COMMISSIONER POLMANN: (Indicating.)

4 CHAIRMAN BROWN: Yes, Commissioner Polmann.

5 COMMISSIONER POLMANN: I believe this is
6 obvious, but I -- I just want to make the point and
7 have it confirmed that for each of the pro forma
8 projects, staff has analyzed and confirmed that the
9 project is both necessary and appropriate. I'm
10 taking that to be true. And Mr. Ballinger is
11 confirming that.

12 MR. BALLINGER: Yes, sir. And no party raised
13 question to that effect either.

14 COMMISSIONER POLMANN: Okay. So -- so, the
15 issue -- the issues that are or have been disputed
16 and that the primary issue that the Commission has
17 concerns about is either the cost, how it has been
18 represented, how it has been confirmed, and the
19 timing.

20 MR. BALLINGER: Correct. When that
21 information was available.

22 COMMISSIONER POLMANN: When the -- when it's
23 available. And then -- and then the true-up
24 process in terms of the bidding, the actual costs,
25 how that's being reported, how we're tracking that.

1 And I think those issues have been addressed.

2 MR. BALLINGER: Yes.

3 COMMISSIONER POLMANN: So, Madam Chairman, I'm
4 satisfied. My -- my concerns have been addressed.
5 Thank you.

6 CHAIRMAN BROWN: Wonderful. Thank you.

7 Commissioners, if there are no other
8 questions, we are ripe for a motion at this time.
9 Commissioner Brisé.

10 COMMISSIONER BRISÉ: If you would, go over the
11 projects that you outlined --

12 CHAIRMAN BROWN: Sure. Okay.

13 COMMISSIONER BRISÉ: -- once again.

14 CHAIRMAN BROWN: My recommendation would be to
15 reduce PCF-27 from the staff recommendation by
16 \$714,657 to remove the office building -- the
17 office building design and the storage building;
18 recommendation on PCF-41 would be to reduce the
19 project by \$688,631, based on lack of supporting
20 documentation, for a total of 1,403,288.

21 COMMISSIONER BRISÉ: Okay.

22 CHAIRMAN BROWN: Commissioner, are you done --
23 are you done, Commissioner?

24 COMMISSIONER BRISÉ: Yeah, those were the two
25 projects?

1 CHAIRMAN BROWN: Two projects.

2 COMMISSIONER BRISÉ: Okay.

3 CHAIRMAN BROWN: Commissioner Graham.

4 COMMISSIONER GRAHAM: Try a motion.

5 CHAIRMAN BROWN: Thank you.

6 COMMISSIONER GRAHAM: Let's give this a shot.
7 Move staff recommendation on Issue 9 with the
8 following changes and give them administrative
9 authority to -- with followed issues. We are going
10 to decrease PCF-27 by \$714,657. And we're going to
11 strike PCF-41, which is \$688,631, with a total of
12 1,403,288.

13 CHAIRMAN BROWN: And the report.

14 COMMISSIONER GRAHAM: And the report -- at
15 what time frame?

16 CHAIRMAN BROWN: March 31st, 2018.

17 COMMISSIONER GRAHAM: By March 31st, 2018.

18 CHAIRMAN BROWN: Okay. Is there a second?

19 COMMISSIONER BRISÉ: Second.

20 CHAIRMAN BROWN: Is there any further
21 discussion?

22 COMMISSIONER GRAHAM: Let's --

23 CHAIRMAN BROWN: Any clarification does staff
24 need? Nope. We're set. We've got a motion and a
25 second.

1 All those in favor, say aye.

2 (Chorus of ayes.)

3 CHAIRMAN BROWN: Opposed?

4 Motion passes unanimously.

5 And thank you, Commissioner Graham. You did
6 it good.

7 All right. That brings us back to Issue 22.
8 Any questions? This is a fallout. Again, I
9 suggest giving staff administrative authority to
10 make those necessary changes in this motion.

11 Commissioners, can I get one?

12 COMMISSIONER BRISÉ: So moved.

13 CHAIRMAN BROWN: Is there a second?

14 COMMISSIONER GRAHAM: Second.

15 CHAIRMAN BROWN: All those in favor, signify
16 by saying aye.

17 (Chorus of ayes.)

18 CHAIRMAN BROWN: Motion passes unanimously.

19 We are going to move on to the capital
20 structure, which is Issue -- which are Issues 23
21 through 31.

22 MR. BUYS: Good afternoon, Commissioners and
23 Madam Chairman.

24 Issues 23 through 31 comprise the group of
25 capital structure and cost-of-capital issues.

1 Those issues include the return on equity in
2 Issue 30, wherein staff recommends a return on
3 equity of 10.4 -- 10.4 percent with a range of
4 plus-or-minus 100 basis points.

5 Based on your vote on Issue 3, there were four
6 systems that were carved out to have a lower ROE.

7 CHAIRMAN BROWN: Do we have those numbers?

8 MR. BUYS: There were -- it was 9.9 percent
9 for Cypress Lakes, Mid-County, and Pennbrooke based
10 on the 50-basis-points reduction; and then
11 Summertree is at 9.4 percent with a hundred --
12 reflecting the hundred-basis-point reduction. That
13 was carried over from the prior rate case.

14 And all the remaining systems were -- receive
15 an ROE of 10.4 percent.

16 CHAIRMAN BROWN: Okay. Commissioners, any
17 questions on these issues? I will note that 25,
18 26, and 27 have already been approved at the
19 technical hearing.

20 So, we're only voting on 23, 24, 28 through
21 31.

22 Staff, do you need to take a quick break
23 before we vote on these items?

24 MR. FLETCHER: I don't believe so, but I would
25 just mention that, based on the Commission's prior

1 decision that Issue 24, with the ADITs -- that
2 would be kind of a fallout calculation.

3 CHAIRMAN BROWN: So, you would need
4 administrative authority.

5 MR. FLETCHER: Administrative authority, yes.

6 CHAIRMAN BROWN: So, Commissioners, we're
7 voting on 23 and 24. Staff needs administrative
8 authority on 24. And then we're voting on 28
9 through 31. Can I get a motion on those, if there
10 are no questions?

11 MR. FLETCHER: I -- I apologize. And it was
12 also -- 31 and 30 would be a fallout.

13 CHAIRMAN BROWN: A fallout.

14 COMMISSIONER BRISÉ: (Inaudible.)

15 CHAIRMAN BROWN: No.

16 Can you just repeat the -- Issue 30, what the
17 resulting ROE is for --

18 MR. BUYS: Certainly. The ROE for the Cypress
19 Lakes, the Mid-County, and Pennbrooke systems,
20 based on a reduction of 50 basis points, would be
21 9.9 percent. And the ROE for the Summertree system
22 would be 9.4 percent based on the hundred-basis-
23 point reduction.

24 CHAIRMAN BROWN: Thank you.

25 Okay. Again, we will need a motion that also

1 incorporates adjustments to be made, if necessary,
2 per our previous vote. So, with that, I'll
3 entertain a motion now, 23, 24, 28 through 31.

4 COMMISSIONER GRAHAM: I'll try it. We will
5 move staff recommendation on Issue 23, 24, 28, 29,
6 30, and 31, giving them administrative authority to
7 make the changes that are reflected upon decisions
8 that we have made prior and afterwards in this
9 section.

10 And do I need to get into the ROEs or does
11 that administrative authority handle it all?

12 CHAIRMAN BROWN: I think --

13 MR. BUYS: And the -- it will handle that,
14 yes.

15 COMMISSIONER GRAHAM: Okay.

16 CHAIRMAN BROWN: Thank you.

17 Is there a second?

18 COMMISSIONER BRISÉ: Second.

19 CHAIRMAN BROWN: Any discussion?

20 Seeing none, all those in favor, say aye.

21 (Chorus of ayes.)

22 CHAIRMAN BROWN: Motion passes. Thank you.

23 Getting into the net operating income now,

24 which is -- it's Issues 32 through 58.

25 MS. NORRIS: Good afternoon, again.

1 Issues 32 through 58 comprise a group of net-
2 operating-income issues, which include issues that
3 address traditional operational and maintenance
4 expenses, such as salaries and wages and rate-case
5 expense. Staff would also like to note that Issues
6 50 and 58 are affected by subsequent issues.

7 Staff is available for any questions.

8 CHAIRMAN BROWN: Thank you.

9 Commissioners, if you have a question that you
10 want to get to before we get to 34 and 35, I would
11 like to take those two up.

12 Seeing none -- staff, the salary and wages and
13 the employees' benefit -- pension and benefit --
14 first, let's get to the three additional employees.
15 With the consolidation, you would think that there
16 would be economies of scale and efficiencies. I
17 don't really understand how a consolidation
18 actually produces more employees.

19 Can you explain your rationale for including
20 those three additional -- usually, you see kind of
21 a reduction.

22 MR. BALLINGER: Sorry. I thought I was done.

23 CHAIRMAN BROWN: I told you you don't have to
24 talk to today.

25 (Laughter.)

1 MR. BALLINGER: I know. That's -- those three
2 employees, my understanding, are field techs to be
3 spread out among the whole system. It's goes along
4 with the philosophy of the company trying to do a
5 more proactive and -- maintenance program instead
6 of a reactive maintenance program. Staff sees that
7 as a benefit and a -- a good way to manage a
8 company, to have that; however, it may or may not
9 be needed at this time either.

10 So, it's -- I'm not -- I'm not greatly
11 persuaded that they're needed, but they -- I think
12 they are a good thing. I think it is one that's on
13 the bubble. I don't know that it's needed to
14 maintain quality going forward. It's one to maybe
15 improve quality that could be done. So, it is a --
16 a gray area.

17 CHAIRMAN BROWN: So, with the last -- the
18 last -- I'm trying to think of a consolidation
19 we've had where we actually agree -- the Commission
20 increased employees.

21 MR. BALLINGER: And there were some reductions
22 in other areas. That -- the plant operators and
23 plants that were decommissioned, things of this
24 nature, have been reduced.

25 CHAIRMAN BROWN: They have?

1 MR. BALLINGER: Yeah.

2 CHAIRMAN BROWN: How much is the amount for
3 the three additional employees?

4 MR. BALLINGER: I think it's 27,000 per
5 employee.

6 CHAIRMAN BROWN: So, it's --

7 MS. NORRIS: Approximately 81,000 is the total
8 impact for the three employees.

9 CHAIRMAN BROWN: Okay. I don't feel really
10 strongly about it either way. I just wanted to
11 raise it for the Commissioners to think about.

12 But what -- I do feel kind of strongly about
13 that 3.75-percent increase on the salaries and
14 wages. Is that spread across all of the employees?
15 Is it certain employees? Is it every employee?

16 MS. NORRIS: Yes, ma'am, it is across --
17 spread across all employees that are out --
18 expenses that are allocated to the utilities.

19 CHAIRMAN BROWN: We literally just approved
20 another docket in the regular agenda, which we
21 limited to the consumer price index and increase.

22 MS. NORRIS: Yes, ma'am.

23 CHAIRMAN BROWN: So, what -- what's with the
24 CPI?

25 MS. NORRIS: With the 2016, which we -- I

1 guess would be consistent with the test year -- was
2 1.29 percent. And so, we had, as part of our
3 analysis, looked in terms of comparing that to the
4 3.75 percent. And so, total revenue impact for
5 water would be approximately 70,722. If you're --
6 if you're looking at limiting it to that
7 1.29 percent --

8 CHAIRMAN BROWN: I mean, I'm just trying to be
9 consistent with what we just did today, this
10 morning.

11 MS. NORRIS: I -- I understand. That's
12 certainly something we kept in perspective, in
13 terms of having -- doing that analysis. For
14 wastewater, it's approximately 70,000 as well. And
15 that's ballpark considering changes in other areas.

16 CHAIRMAN BROWN: And then the pensions -- it
17 looks like they're requesting 3.75 for all pensions
18 and all benefits.

19 MS. NORRIS: Yes, ma'am.

20 CHAIRMAN BROWN: I'm a little confused on this
21 issue.

22 MS. NORRIS: And I certainly understand with
23 the variable versus non-variable type pensions and
24 benefits --

25 CHAIRMAN BROWN: Because some get variable.

1 MS. NORRIS: Expensive -- expenses -- I'm
2 sorry. Yes, ma'am, certainly any type of 40- --
3 401(k) in terms of something that would move in the
4 same direction if salaries and wages went up.

5 However, in -- in past dockets, we've -- if
6 we're not able to unbundle everything in there --
7 that's something that --

8 CHAIRMAN BROWN: They're all bundled.

9 MS. NORRIS: -- we -- right. We just kind
10 of -- we've applied the same percentages, kind of
11 like a ratio, between the salaries and wages and
12 pensions and benefits. That's what we did in -- in
13 this docket; however, you know, we do have the
14 information to go in there and could certainly
15 isolate that as well.

16 CHAIRMAN BROWN: Okay. Sounds a little
17 complicated. Is it complicated?

18 MS. NORRIS: It's -- it's -- it's manageable,
19 but it's certainly -- it's certainly -- I would say
20 as compared to another utility maybe that you don't
21 have the level of detail.

22 CHAIRMAN BROWN: But it's --

23 MS. NORRIS: It's a lot of detail. So, it
24 is -- it is --

25 CHAIRMAN BROWN: But it's more accurate -- if

1 you unbundle them --

2 MS. NORRIS: Correct.

3 CHAIRMAN BROWN: -- it's much more accurate
4 of --

5 MS. NORRIS: That -- we could limit it to
6 those that we could identify that are directly,
7 like, you know -- certainly, the 401(k) or any type
8 of profit sharing.

9 CHAIRMAN BROWN: So, the only thing I feel
10 pretty strongly about is limiting the increases to
11 the CPI. They've been coming in -- again, each of
12 these systems have been coming in for price indexes
13 again. And consistent with what we did in the
14 earlier case, I think 3.75, even in this market, is
15 excessive for this utility.

16 So, I don't know -- thoughts? Commissioner
17 Polmann?

18 COMMISSIONER POLMANN: Thank you, Madam --
19 Madam Chairman.

20 A couple of questions. The increase in staff
21 is a net increase of three; is that correct?

22 MS. NORRIS: I'm -- I'm sorry. Do you mind
23 repeating that one?

24 COMMISSIONER POLMANN: The increase of staff
25 of plus three --

1 MS. NORRIS: Oh, the three systems specific.

2 COMMISSIONER POLMANN: That's a net increase?

3 MS. NORRIS: Correct. And those are -- and
4 just to -- to clarify, there -- those are -- three
5 are only assigned to certain systems, LUSI,
6 Sanlando, Mid-County; however, there are five
7 positions that are being allocated to all systems.

8 So, that would be the distinction with those
9 three positions are those -- those FTEs are only
10 assigned to those specific utilities. But yes, net
11 increase, the three.

12 COMMISSIONER POLMANN: Okay. This is for the
13 entire UIF.

14 MS. NORRIS: For the three positions, it's
15 just limited to those systems, to the respective
16 systems of LUSI, Mid-County, and Sanlando.

17 COMMISSIONER POLMANN: Okay. With regard to
18 the salary, do we have information -- is the salary
19 comparison system to system?

20 MS. NORRIS: We -- yes, sir, based on the
21 allocation schedules that are audited by staff,
22 it's -- there -- there is the ability to compare
23 system to system as we address -- or as -- we
24 looked at an issue for that's based on the ERC
25 allocations. So, that's -- that's essentially what

1 it would be comparing, based on that, the
2 allocation -- the allocation of certain positions.

3 COMMISSIONER POLMANN: And is our conclusion
4 that there's -- that they're essentially similar
5 across the systems that are being consolidated? Or
6 are there significant differences that we've found?

7 MS. NORRIS: I believe in terms of the
8 structure of -- of labor, it's -- you do have
9 certain positions that are -- I would consider
10 similar in the fact that they are allocated.
11 They're -- such as a financial analyst or a
12 regional manager. That's a position in terms of
13 all utilities would see part of those allocated
14 costs.

15 And so, I guess you could consider, in that
16 terms, a similar position that all utilities would
17 receive a benefit from; however, just depending on
18 the size of the utility would dictate more along
19 the lines of, I would say, field -- technical
20 staff, and that -- and certainly what type of
21 system it was, if it was a reseller or if they had
22 a plant.

23 So, those would be the different nuances you
24 would see based on the size and just the different
25 characteristics of the system.

1 COMMISSIONER POLMANN: And then, we -- we
2 typically have information comparing salary
3 information for any utility to -- kind of to the
4 industry's standard. And I'm -- I'm presuming that
5 we -- we were able to get enough -- enough
6 information to do that.

7 MS. NORRIS: We did feel comfortable with --
8 where -- right.

9 COMMISSIONER POLMANN: Okay.

10 MS. NORRIS: Where the staffing was at this
11 time.

12 COMMISSIONER POLMANN: To the Chairman's
13 point, the types of positions, I -- I also would
14 assume that, you know, at the administrative level,
15 and some of the management positions, that there --
16 there would be some opportunity for consolidation.

17 And to Mr. Ballinger's point, you know, the
18 field staff and so forth -- I would anticipate
19 that -- that they would take the opportunity for
20 some improvement in some of these -- so, that is
21 what I'm expecting.

22 MS. NORRIS: Yes, sir. And I know -- to speak
23 to the administrative level, that -- currently and
24 prior to this -- the way that function in terms of
25 benefit to all the -- all customers is that they

1 were already in that -- I guess they had already
2 moved to that structure in terms of having, you
3 know, a regional president who would look over all
4 the Florida systems.

5 COMMISSIONER POLMANN: Right. Okay.

6 MS. NORRIS: So, that's something they had
7 started moving to prior to this case, is my
8 understanding. And so, you see a lot of those
9 different, you know, economies of scale being
10 reached through transition in that way, certainly
11 as discussed in the WOC allocations. You also see
12 there in terms of customer service or billing,
13 services that are allocated and shared amongst
14 different systems.

15 COMMISSIONER POLMANN: Okay. In terms of the
16 salary increase that -- that was proposed, is
17 there -- are we aware of a merit review, a
18 performance review that they have in place to
19 provide the salary increases to individuals or --
20 or is this more of a blanket type of an increase,
21 annual increases?

22 MS. NORRIS: I wouldn't speak necessarily
23 to -- to over-generalize, but I can say, strictly
24 speaking, it is applied to all employees. So, in
25 terms of the more-intimate knowledge as far as the,

1 you know, qualifications, my understanding, it
2 is -- it does apply to all employees.

3 CHAIRMAN BROWN: Uh-huh.

4 COMMISSIONER POLMANN: So, in other words,
5 this is not an average allocation within a budget,
6 but it -- it may actually be an amount that's
7 provided to each employee and not necessarily based
8 on their performance. I don't -- I don't want to
9 put words in your mouth. I'm just trying to
10 understand --

11 MS. NORRIS: Right. Right. Certainly. And
12 I -- I don't know that I can speak to that level of
13 detail, but it is an across-the-board increase.
14 So, that's -- that's -- to the -- probably the
15 further extent in terms of characterizing what type
16 of -- you know, but I don't think I could
17 completely characterize it as a merit raise, but I
18 just -- I know, in terms of the way it's applied,
19 it is across the board.

20 CHAIRMAN BROWN: Thank you.

21 All right. Commissioners, if -- if we could
22 just take up Issues 32 and 33, since there were no
23 questions on those. Can I get a --

24 COMMISSIONER GRAHAM: So moved.

25 CHAIRMAN BROWN: Thank you.

1 Is there a second?

2 COMMISSIONER BRISÉ: Second.

3 CHAIRMAN BROWN: Any discussion?

4 Seeing none, all those in favor, say aye.

5 (Chorus of ayes.)

6 CHAIRMAN BROWN: 32 and 33 are passed.

7 34 and 35. Commissioners, I propose that we
8 limit the increases for both to one -- the CPI,
9 which would be 1.29 percent, but -- also open to
10 removing the three employees, if that's the will of
11 the Commission. I will entertain a motion, though.

12 Commissioner Graham.

13 COMMISSIONER GRAHAM: Madam Chair, on
14 Issue 34, we will move staff recommendation, but
15 changing the -- the increase from 3.75 to the CPI,
16 which is 1.29. And my suggestion would be to hang
17 on to those employees because, if we're pushing
18 them to improve the quality, then -- I guess I want
19 to remove any excuses.

20 CHAIRMAN BROWN: Is there a second on 34?

21 COMMISSIONER BRISÉ: Second.

22 CHAIRMAN BROWN: Okay. Yes, Mr. Fletcher.

23 MR. FLETCHER: If I could just interject, it
24 would be the Commission price index rather than the
25 CPI.

1 CHAIRMAN BROWN: Okay.

2 MR. FLETCHER: For the motion. That's the --
3 that represents the 2-point -- or 1.29 percent.

4 CHAIRMAN BROWN: Commissioner --

5 COMMISSIONER GRAHAM: That -- that sounds
6 good, yes.

7 CHAIRMAN BROWN: Okay. So, the motion has
8 been amended to the Commission price index. Thank
9 you. And the second is correct, too.

10 All right. Any further discussion on Issue
11 34.

12 Seeing none, all those in favor, say aye.

13 (Chorus of ayes.)

14 CHAIRMAN BROWN: Motion passes.

15 And then Issue 35.

16 COMMISSIONER GRAHAM: Issue 35, once again, we
17 will change that increase from a 3.75 to the
18 1.29 percent for the pension.

19 CHAIRMAN BROWN: Is there a --

20 COMMISSIONER POLMANN: Second.

21 CHAIRMAN BROWN: Thank you.

22 Any further discussion?

23 Seeing none, all those in favor, say aye.

24 (Chorus of ayes.)

25 CHAIRMAN BROWN: Motion passes.

1 We'll take up Issues 36 through -- actually,
2 we can take up 36 through 58. Commissioners if you
3 have questions on any of those items, please
4 signify by putting your button on. And I will -- I
5 don't have questions on any of them, but I'm open
6 to open the floor for any of those.

7 Commissioner Graham.

8 COMMISSIONER GRAHAM: (Indicating.)

9 CHAIRMAN BROWN: I'll just make a quick
10 comment, though, about the -- the rate-case
11 expense. I thought it was very nicely, well-
12 written. I just wanted to give a public comment
13 about that.

14 There's a lot of Tucker/Hall discussion during
15 the technical hearing. And I thought staff really
16 listened carefully to -- to the responses by
17 Mr. Hoy. But I thought you -- you all did a very
18 nice job on the recommendation.

19 MS. NORRIS: Thank you.

20 CHAIRMAN BROWN: All right. So, I will
21 entertain a motion on the remaining items, which --
22 oh, pardon me. There is a stipulation on
23 Issues 44, 48, and 57, but we can take up Issues 36
24 through 58 at this time.

25 Mr. -- Commissioner Graham.

1 COMMISSIONER GRAHAM: Thank you, Madam Chair.

2 I move staff recommendations on the following
3 issues: Issues 36, 37, 38, 39, 40, 41, 42, 43, 45,
4 46, 47, 49, 50, 51, 52, 53, 54, 55, 56, and 58.

5 CHAIRMAN BROWN: Is there a second?

6 COMMISSIONER BRISÉ: Second.

7 CHAIRMAN BROWN: Any further discussion?

8 All those in favor, say aye.

9 (Chorus of ayes.)

10 CHAIRMAN BROWN: Motion passes. Thank you.

11 And we've got a fallout issue, before we get
12 to the rate structure, so -- on Issue 59, which
13 is --

14 MR. FLETCHER: Commissioner, I'm sorry to
15 interrupt, but for 59, it would be a fallout for
16 the Commission's decision.

17 CHAIRMAN BROWN: Right.

18 MR. FLETCHER: On the salaries, 34, could we
19 be given administrative authority to change that,
20 taxes, other, and income?

21 CHAIRMAN BROWN: Can I get a motion on
22 Issue 59 for administrative authority to deal with
23 fallout issues?

24 COMMISSIONER BRISÉ: Move staff.

25 COMMISSIONER POLMANN: Second.

1 CHAIRMAN BROWN: Okay. Any further discussion
2 on Issue 59?

3 Seeing none, all those in favor, say aye.
4 (Chorus of ayes.)

5 CHAIRMAN BROWN: Motion passes.

6 Now, we are on to the rate structure.
7 Ms. Hudson.

8 MS. HUDSON: Hi. Good afternoon. Shannon
9 Hudson on behalf of Commission staff.

10 Issue 60 through 65, not including 63, are
11 staff's recommendation in regards to what staff
12 believes are the appropriate subsidy limits;
13 whether or not the water and wastewater systems
14 should be consolidated into a single rate structure
15 and the appropriate rates and rate structure.

16 Staff is prepared to answer any questions you
17 may have at this time.

18 CHAIRMAN BROWN: Okay. Thank you very much.

19 All right. Commissioners, I will open the
20 floor to -- let's just dive right on in to Issue
21 60. Anybody want to take a stab at that?

22 Commissioner Brisé.

23 COMMISSIONER BRISÉ: Thank you, Madam Chair.
24 So, looking at the subsidy level or subsidy limit,
25 which is at a high point for water at 14.38 at

1 7,000 gallons; and wastewater subsidy limit at
2 seven -- \$19.17 for 8,000 gallons, can staff walk
3 me through how they arrived at those levels as
4 being sort of the caps that -- that are in place
5 and the rationale as to why those levels are most
6 appropriate?

7 MR. JOHNSON: I -- I began with the subsidy
8 level of \$12.50 approved in Docket No. 080121, the
9 Aqua case -- \$12.50 for water at 7,000 gallons.
10 And I -- then I indexed it forward for 2017 using
11 the Commission-approved indexes, which gave me the
12 \$14.38 at 7,000 gallons for water. It also gave me
13 \$14.38 at 6,000 gallons for wastewater, indexing it
14 forward from the 12.50 in the Aqua case.

15 We did a brief analysis looking at, you know,
16 what usage levels they used in the Aqua case and
17 what usage levels we should compare the subsidy
18 limits at in this case.

19 We looked at the average consumption for all
20 the utilities in the Utilities, Inc. of Florida --
21 all the systems in Utilities, Inc. of Florida. We
22 came out at 10,000 gallons, but that was including
23 Sanlando, who used water upwards of 16,000 gallons.
24 Taking them out, it gave us an average of 7,000.
25 So, that's why we left it at \$14.38 for water.

1 For wastewater, what I did was I figured -- I
2 computed the per-thousand-gallon subsidy level,
3 which was taking \$14.38 dividing it by six for the
4 6,000 gallons. And then, to encompass the
5 additional 2,000 gallons from six to eight, I
6 added, you know, two extra thousand gallons to
7 that.

8 CHAIRMAN BROWN: Commissioner Brisé?

9 COMMISSIONER BRISÉ: Thank you. So, clearly,
10 Sanlando is an outlier in many respects, even if --
11 even in looking at their current rates -- and I
12 suppose their current rates affects their -- their
13 consumption, obviously.

14 So, what did staff -- how did staff address
15 setting the limit, taking in consideration the
16 circumstances that exist around Sanlando?

17 MR. JOHNSON: I will -- I will add that, if we
18 looked at the subsidy level at 10,000 gallons
19 including the usage from Sanlando, and we adjusted
20 the subsidy limit for the additional 3,000 gallons,
21 the gap between the subsidy paid by Sanlando and
22 the subsidy limit would be even higher. So, it
23 didn't affect the recommendation in this
24 recommendation.

25 MR. SHAFER: But in response to -- to your --

1 your question, I believe that what we looked at in
2 terms of setting that limit was that Sanlando was
3 an outlier because their average consumption per
4 customer -- or per -- based on the billing
5 determinants was so much higher than the next-
6 closest system.

7 Sanlando was in the neighborhood of 15,000-
8 plus gallons as a monthly average and the next-
9 closest system was around 10,000.

10 CHAIRMAN BROWN: Commissioner Brisé, any
11 follow-up?

12 COMMISSIONER BRISÉ: I don't know that this is
13 the -- this is the issue to -- to address this
14 particular issue -- and maybe it is -- in terms of
15 how we address, to a certain degree, the equity
16 associated with -- with the subsidies, right,
17 considering where Sanlando is right now and -- and
18 where it would be as a stand-alone and where it
19 falls as a -- as part of the consolidated rate
20 structure. And so, I'm not sure if this is the
21 right moment to address that, but you all can help
22 direct me.

23 CHAIRMAN BROWN: Yeah, I -- staff, I think
24 it's appropriate that we take up all of that
25 together, that conceptual -- because it does --

1 those are Issues 60 through --

2 COMMISSIONER BRISÉ: -- through 60.

3 CHAIRMAN BROWN: Even the rate -- the
4 structure, 65, really.

5 COMMISSIONER BRISÉ: Right.

6 CHAIRMAN BROWN: And to Commissioner Brisé's
7 point, if Sanlando was a stand-alone, with such a
8 high consumption at 15- -- average, 15,000 gallons,
9 would the Commission do something to encourage
10 conservation for this -- normally, we would do a
11 BFC specific for a system like this magnitude to
12 really -- and we would -- correct?

13 MS. HUDSON: In the past, Sanlando, because of
14 their high consumption, a portion of their
15 wastewater revenues have been allocated to the
16 water side in order to, you know, encourage
17 conservation. And the stand-alone rate, as
18 presented here, does not reflect that. It actually
19 reflects the decrease that they would be,
20 otherwise, if we did not make that adjustment.

21 So, if we were to single them out, we would
22 have to evaluate what portion of the revenues would
23 possibly, you know, be consistent with, have we
24 done it in the past, allocate it from water -- I'm
25 sorry -- from wastewater to water.

1 CHAIRMAN BROWN: Commissioner Brisé.

2 COMMISSIONER BRISÉ: Yeah. So, I'm going to
3 ask you to ballpark something for me. So, if we
4 were to look at that, what would be the -- the
5 delta sort of ballpark? I'm not going to hold you
6 to this, but what would be the ballpark -- or
7 con- -- based upon what we've done in the past for
8 Sanlando.

9 MS. HUDSON: I don't know the number off the
10 top of my head, but what I was visualizing or
11 conceptualizing in my head that we -- I think in
12 the last case, it was about 600-and-some thousand.
13 So, whatever that percentage is relative to that
14 revenue formula.

15 Last time, we could apply that same percentage
16 to their current wastewater revenues and allocate
17 that portion, but I can't say exactly what the
18 number is, sitting here right now.

19 CHAIRMAN BROWN: Commissioner Brisé, any --
20 any further?

21 MR. SHAFER: I -- I would just add that,
22 according to the schedule on Page 385 for Sanlando,
23 their rates prior to filing generated a monthly
24 bill at 8,000 gallons of 13.05. If you subtract
25 \$1.63, that would get you to the 7,000 benchmark,

1 which would be a little over \$12, which is what
2 they came in at because of that allocation of the
3 wastewater revenue requirement.

4 CHAIRMAN BROWN: Okay. Commissioner Polmann.

5 COMMISSIONER POLMANN: Thank you, Madam
6 Chairman.

7 I think, Greg, if I understood the answer
8 earlier, the average consumption at Sanlando was
9 about 15,000 --

10 MR. SHAFER: Yes, and that --

11 COMMISSIONER POLMANN: -- at water
12 consumption?

13 MR. SHAFER: A little over 15,000, yes.

14 COMMISSIONER POLMANN: Okay. And then next-
15 closest, you indicated, was about 10,000 -- next-
16 closest system. What is the average consumption
17 across -- under the consolidated, with all the
18 systems for water?

19 MR. SHAFER: Including Sanlando, I believe
20 it's subject to Mr. Johnson's correction that it
21 was about 10,000.

22 COMMISSIONER POLMANN: 10,000, including all?

23 MR. SHAFER: Including all.

24 MR. JOHNSON: Correct.

25 MR. SHAFER: Yes.

1 MR. JOHNSON: That's correct.

2 MR. SHAFER: And I would point out there are
3 four or five systems, subject to check, that the
4 average consumption per month is less than
5 2,000 gallons.

6 COMMISSIONER POLMANN: So, given that,
7 Sanlando has a significant impact on the system-
8 wide average.

9 MR. SHAFER: They absolutely do, yes.

10 COMMISSIONER POLMANN: So, not just a -- a
11 per-customer average monthly, but a system
12 volume --

13 MR. SHAFER: Correct.

14 COMMISSIONER POLMANN: -- is --

15 MR. SHAFER: Correct.

16 COMMISSIONER POLMANN: -- is large --

17 MR. SHAFER: Correct.

18 COMMISSIONER POLMANN: -- in order to bring
19 the system-wide average up to 10,000, given that we
20 have some systems that their average is two or
21 three.

22 MR. SHAFER: That's correct.

23 COMMISSIONER POLMANN: And then the -- the
24 rate -- the current rate is -- is quite low --

25 MR. SHAFER: Yes.

1 COMMISSIONER POLMANN: -- in reference -- in
2 comparison to the other system rates across the
3 UIF.

4 MR. SHAFER: Yes, I would say they are among
5 the lowest of all of the companies' IOUs that the
6 Commission has jurisdiction over.

7 COMMISSIONER POLMANN: Okay.

8 CHAIRMAN BROWN: Uh-huh, and the state.

9 COMMISSIONER POLMANN: All right. Thank you.

10 CHAIRMAN BROWN: All right. Commissioners,
11 any other questions? Again, we're considering --
12 let's just consider 60 through 65. All right.

13 Commissioner Brisé.

14 COMMISSIONER BRISÉ: So, let's -- indulge me
15 for a mental exercise. So, if we were to be
16 interested in -- let me take a step back. So,
17 there's a few different options that we can use
18 to -- to look at how we manage this rate structure
19 and so forth.

20 We could either do the straight subsidy -- I
21 mean, using the subsidy and using unified rates
22 across the board or we can do banded rates. And
23 there's -- there's different mechanisms for us to
24 do that and different number of bands that we can
25 put in place.

1 I've asked staff to sort of put together a
2 band of one, which is Sanlando. So, take --
3 carving Sanlando out -- and I've asked them to tell
4 me the effect on the rest -- on the other band that
5 would exist and what that means for the Sanlando
6 customers and what that would mean for all the
7 other customers. So, if -- if we can walk through
8 that exercise, that would be helpful to me.

9 MR. SHAFER: All right.

10 CHAIRMAN BROWN: Staff, before you begin, do
11 you have an analysis with that information to be
12 disseminated to the Commissioners?

13 MR. SHAFER: Yes, it's been provided.

14 CHAIRMAN BROWN: Can you -- do you have
15 copies?

16 MR. SHAFER: I have a few remaining, yes.

17 CHAIRMAN BROWN: Could I get a copy for the
18 Bench?

19 MR. SHAFER: Oh, sure.

20 CHAIRMAN BROWN: Do you have a copy?

21 COMMISSIONER BRISÉ: Yeah, I have a copy.
22 You have a copy.

23 CHAIRMAN BROWN: That's what I'm getting for
24 you.

25 COMMISSIONER BRISÉ: Oh.

1 (Inaudible background speakers.)

2 CHAIRMAN BROWN: Staff, do you have an
3 extra -- do you have an extra copy for Seminole
4 County's counsel?

5 MR. SHAFER: There will be leftovers when
6 Mr. Trierweiler gets done distributing.

7 COMMISSIONER BRISÉ: Which one is that?

8 (Discussion off the record.)

9 CHAIRMAN BROWN: Mr. Trierweiler, can you get
10 a copy to Seminole County, back there, as well?

11 I've got it.

12 MR. SHAFER: Commissioners, I apologize for
13 the busy-ness of the schedule --

14 COMMISSIONER BRISÉ: Thank you.

15 MR. SHAFER: -- but under the circumstances,
16 it was what we needed to do.

17 This additional item that Mr. Johnson is
18 passing out just shows you a comparison of what the
19 subsidy per system would be consolidated versus
20 pulling Sanlando out. And as you can see, some of
21 the systems flip from recipients to contributors.

22 COMMISSIONER BRISÉ: Uh-huh.

23 CHAIRMAN BROWN: Seminole County has a copy of
24 it?

25 MALE SPEAKER: Yes, ma'am.

1 CHAIRMAN BROWN: Okay.

2 COMMISSIONER BRISÉ: Thank you.

3 CHAIRMAN BROWN: And the utility has a copy of
4 it?

5 MALE SPEAKER: (Inaudible.)

6 CHAIRMAN BROWN: All right. Comm- --

7 MR. SHAFER: And I'll let Ms. Hudson explain
8 the rate tables for you.

9 CHAIRMAN BROWN: Commissioner Brisé, you have
10 the floor.

11 COMMISSIONER BRISÉ: I think Ms. Hudson is
12 going to walk us through.

13 And I thank staff because we talked about this
14 pretty late yesterday evening. And them putting it
15 together -- I thank them.

16 MS. HUDSON: Okay. I'm looking at the -- the
17 handout that has everyone but Sanlando written on
18 the top of it -- this is where we calculate what
19 the consolidated rate would be for all systems,
20 excluding Sanlando.

21 And at the 7,000-gallon consumption level that
22 we're using as the basis of our subsidy analysis,
23 the bill would be \$35.50 in comparison to the
24 consolidated of 23.11.

25 The second page of that handout, we would

1 otherwise calculate across-the-board decrease for
2 Sanlando since their individual revenue requirement
3 is a decrease overall.

4 Again, I would like to add that, in past
5 cases, we have not decreased our rates, for one,
6 being the level of the consumption. We wouldn't
7 want to decrease their rates. We have allocated
8 the wastewater revenue requirement to -- a portion
9 of to water.

10 So, with that being said, absent not doing the
11 allocation, their -- their bill at 7,000 would be
12 \$10.61.

13 COMMISSIONER BRISÉ: Okay.

14 MS. HUDSON: The second handout, which shows a
15 comparison of the two, the current subsidies that
16 we have based on full consolidation -- it's the
17 first column. And then when you remove Sanlando,
18 we have three additional systems that would now pay
19 a subsidy and otherwise, under the full
20 consolidation, they would receive a subsidy.

21 COMMISSIONER BRISÉ: Okay. Thank you.

22 So, I just wanted to have the Commissioners
23 take a look at this analysis as we consider what
24 we're going to do, recognizing that the
25 circumstances surrounding Sanlando are unique. The

1 customer base is large, No. 1.

2 No. 2, some of the challenges that some of the
3 other systems have don't exist there because of the
4 aquifer or the source of the water. So -- so, some
5 of the things that are necessary in order for the
6 water to be processed aren't -- aren't there.

7 So, I just want us to think about that as we
8 always think about cost and cost-causer and -- and
9 to see how equitable the level of subsidy that is
10 being recommended by staff is in recognition of the
11 circumstances.

12 CHAIRMAN BROWN: Thank -- thank you,
13 Commissioner Brisé.

14 And you know, I'm all about making sure that
15 all costs are equitable for each system and -- and
16 as staff stated, you know, these -- Sanlando does
17 have the benefit right now of -- of -- of lower,
18 affordable rates. I think you said the lowest in
19 the state for all of the IOUs. It's an
20 acknowledgment that this board is very well aware
21 of. Again, it works both ways. Costs have to be
22 equitable on both sides.

23 The pro forma items for Sanlando -- I just
24 want to make sure -- are those in the analysis?
25 Are those taken out in the stand-alone?

1 MR. SHAFER: Commissioner, they're -- as far
2 as the analysis that's before you, that pro forma
3 is built into the revenue requirement. Because of
4 the situation that Ms. Hudson described regarding
5 the wastewater -- previous allocation of wastewater
6 revenue requirement, that swamps the effect of the
7 pro forma.

8 So, even with that pro forma in this case, if
9 you pull out that wastewater allocation, what
10 happens is the rates still go down. It's just the
11 revenue requirement impact of the pro forma does
12 not offset that. And so, that's why you're seeing
13 a decrease in the rate -- in the stand-alone rate.

14 CHAIRMAN BROWN: You know, my -- my concern
15 is, though, that Sanlando would still have low
16 rates even as a stand-alone relative to the other
17 systems. And then the other systems would be --
18 bump up by -- by \$12.

19 MR. SHAFER: That's correct.

20 CHAIRMAN BROWN: And I don't know if that's
21 equitable either.

22 MR. SHAFER: I -- I understand.

23 CHAIRMAN BROWN: I don't think it is, but --
24 Commissioners -- Commissioner Graham.

25 COMMISSIONER GRAHAM: I guess I'm going to

1 play the devil's advocate here a little bit. As
2 Commissioner --

3 CHAIRMAN BROWN: -- Patronis.

4 COMMISSIONER GRAHAM: -- Patronis said, that's
5 my role (laughter).

6 There's no doubt part of the reason why their
7 usage is so high is because their rates are so
8 slow. And we were talking about some sort of a
9 conservation. Best way to do conservation is to
10 get that rate up a little bit.

11 If you look at the pro forma -- I mean,
12 Sanlando is half of everything that's on that
13 sheet. I mean, they're at \$12.3 million. So, I
14 understand what you're talking about. I understand
15 where you're coming from because their rates,
16 unlike everybody else, is going up about two --
17 going up about 250 percent and -- but you know,
18 that's 10,000 people that live out there, you know.
19 So, that's 25 percent of Utilities, Inc.'s customer
20 base.

21 And you know, I don't know if there's a way --
22 you know, if there's a rate-shock issue that's here
23 that, you know, you want to tier that in. Maybe
24 that's something to talk about.

25 You know, I live in a section of the state

1 where it's all under one municipality and everybody
2 pays the same amount. It doesn't matter if you're
3 by the plant that it's very inexpensive to do it or
4 if you're, you know, closer to the ocean where
5 it's, you know, dirt cheap.

6 You know, it's just one of those things where,
7 if you get into the consolidation of rates -- you
8 know, I think it hurts the very first time, which
9 is this time, but after that, it stays consistent.

10 I just think we need to be -- we need to be a
11 little careful because no matter what you do,
12 someone is going to be irritated. We just need to
13 make sure we are doing the right things for the
14 right reason.

15 CHAIRMAN BROWN: Thank you.

16 Mr. Shafer --

17 MR. SHAFER: Commissioners, I would just add
18 that the rates that are before you are not
19 accounting for the revenue-requirement adjustments
20 that you have made in previous issues.

21 CHAIRMAN BROWN: Right.

22 MR. SHAFER: So, they're all going to be a
23 little bit lower regardless of which direction you
24 go.

25 CHAIRMAN BROWN: Based on our prior decisions

1 and --

2 MR. SHAFER: Correct.

3 CHAIRMAN BROWN: Okay. Comm- -- are you done,
4 Commissioner Graham?

5 COMMISSIONER GRAHAM: (Indicating.)

6 CHAIRMAN BROWN: Commissioner Polmann.

7 COMMISSIONER POLMANN: Thank you, Madam
8 Chairman.

9 Back to Sanlando, I -- I have the same
10 observation in terms of customer use Commissioner
11 Graham made that with the low cost, that may be
12 very well a contributing factor to high use.

13 The average use, we've discussed -- I wonder
14 if we have information on the distribution of the
15 usage across the customers within Sanlando, the
16 water use. Has that been analyzed in any way? The
17 average use may be more than 15,000, but is there a
18 disparity among the users from billing information?
19 Do we know that?

20 MR. SHAFER: We have that information
21 available. I would say let Ms. Hudson respond if
22 she happens to recall some of that.

23 MS. HUDSON: And I don't recall off the top of
24 my head what's the distribution amongst the
25 different levels of consumption. As I sit here --

1 COMMISSIONER POLMANN: Let me, if I may, ask
2 you a different, but related, question: Is there a
3 high seasonal population there?

4 MS. HUDSON: I don't think they're seasonal.

5 COMMISSIONER POLMANN: No. Okay. So, it's
6 pretty consistent. And we would -- we would expect
7 whatever use there is by a -- by account, it would
8 be fairly consistent.

9 MS. HUDSON: Correct.

10 COMMISSIONER POLMANN: Okay. I have some --
11 some concern that this is a very high usage.
12 What's the nature of the community, in terms of
13 property or land use or residential type? Would
14 you expect this -- this high use? Is it large
15 properties or --

16 MR. SHAFER: I think it's a 10,000-customer
17 system, around that, something a little less than
18 10,000, between nine and ten.

19 I grew up in the Orlando area. I'm familiar
20 with Sanlando. I know that there are some, you
21 know, higher-income-type residents in that area.
22 Whether or not that makes up the majority of the
23 10,000, I do not know.

24 But again, you know, as a kid, I went to
25 Sanlando Springs. I know that the water that's

1 coming out of the ground is pretty nice --

2 COMMISSIONER POLMANN: Sure.

3 MR. SHAFER: -- and it's not expensive to
4 treat. So, that's, you know, a major factor in why
5 that is such a low-cost system and -- and
6 obviously, price is going to influence your usage
7 pattern to some degree.

8 COMMISSIONER POLMANN: Thank you.

9 CHAIRMAN BROWN: Thank you.

10 One question I had that Seminole County
11 brought up in its brief was about the single-tariff
12 pricing and how it will not produce any savings and
13 financing costs, it's an area that -- that, I think
14 a uniform rate, you would think, would absolutely,
15 but how do we measure that?

16 MR. SHAFER: I'm not sure that the uniform
17 rate, in and of itself, is a driver for financing
18 savings. And Mr. Maurey can jump in here to
19 correct me if I'm wrong. But the consolidation
20 that the company has already implemented in terms
21 of their, you know, accounting and -- and financing
22 and so forth -- those benefits are already flowing
23 through to all of the systems in the sense that,
24 you know, they can borrow, as a corporate entity,
25 at a much lower rate than LP, for example, that you

1 considered earlier today.

2 CHAIRMAN BROWN: What do you see, Mr. Maurey
3 and Mr. Shafer -- what do you see as the primary
4 benefit for a single-tariff pricing in this
5 scenario?

6 MR. SHAFER: I -- I would say the primary
7 benefit is the ability of the utility, UIF, to
8 spread the cost of improvements across their entire
9 customer base and not isolate them system by
10 system.

11 That means that all the customers in their
12 customer base are going to get a smaller impact to
13 every project that they implement than it would if
14 it were on a stand-alone base and that project
15 happened to hit Sandalhaven, for example.

16 CHAIRMAN BROWN: Do you think it -- and again,
17 I'm playing devil's advocate now. Do -- do you
18 think it's fair and equitable to -- even though
19 these systems are so distinct and some are getting
20 pro forma improvements, like Sanlando -- a
21 significant amount -- others aren't?

22 And I know our Witness Daniel testified that
23 subsidies are inherent in rate-making. And I
24 understand --

25 MR. SHAFER: Correct.

1 CHAIRMAN BROWN: -- her statement.

2 MR. SHAFER: Obviously, timing is an issue in
3 terms of when these projects come along and what
4 system they affect. So, customers today may not be
5 getting a particular benefit from it, but a year,
6 five years, ten years down the road, their number
7 will be up. And this will allow the utility to
8 spread those costs over a larger number of
9 customers. So, timing is an issue.

10 And I would say that that's --

11 CHAIRMAN BROWN: So, the rates are still cost-
12 based.

13 MR. SHAFER: Correct.

14 CHAIRMAN BROWN: Andrew, would you like to add
15 anything?

16 MR. MAUREY: I don't have anything to add. I
17 agree with Mr. Shafer's characterization.

18 CHAIRMAN BROWN: See, I think the end result
19 of -- really the end result of what staff is
20 recommending is much favorable than on a stand-
21 alone, for all systems. But I understand my
22 colleagues' concerns about Sanlando being an
23 outlier. And I agree with that.

24 MR. SHAFER: I -- I would just add that there
25 are other benefits. I think the one that I noted

1 is -- is the most significant from the customer's
2 standpoint. But in addition, I think, as time goes
3 on, regulatory costs to the utility will be less
4 because they will have one tariff to manage as
5 opposed to the number that they have now; that when
6 they make a filing, the MFRs will be more
7 simplified than they were in this case.

8 CHAIRMAN BROWN: You were going to say less
9 rate cases? I thought you were going to say that.

10 (Laughter.)

11 MR. SHAFER: I'm not going to go out on that
12 limb, but what I would -- again, what I would say
13 is their regulatory cost is going to go down.
14 That's going to get passed on to the customers.

15 You know, this facilitates acquisition of
16 smaller troubled systems as well. I'm not sure
17 that Utilities, Inc. hasn't been in the acquisition
18 mode most recently, but this may put them in a
19 posture where it's easier for them to do that.

20 CHAIRMAN BROWN: I -- yes. Comm- -- going to
21 Commissioner Graham, Commissioner Brisé, and then
22 Commissioner Polmann.

23 COMMISSIONER GRAHAM: I was just going to say
24 that I -- I'm not necessarily opposed to this. I
25 just -- I threw the cautions out there. My

1 question is: Is there a suggestion, a proposal on
2 the table that we could talk about that?

3 CHAIRMAN BROWN: Commissioner Brisé.

4 COMMISSIONER BRISÉ: Thank you, Mr. Chair -- I
5 mean, Madam Chair.

6 (Laughter.)

7 CHAIRMAN BROWN: I don't care.

8 COMMISSIONER BRISÉ: He used to be Chair,
9 so -- you know, I -- I'm not sure that I'm married
10 to the proposal of -- of having Sanlando stand
11 alone. The only thing that I have in mind is -- is
12 the concern that you mentioned, the rate shock
13 associated with that. And I recognize the
14 challenge that exists in terms of wanting to -- to
15 help the customers conserve more.

16 But with -- with all that in place, the only
17 other analysis that would have been helpful to me
18 was maybe adjusting the -- the amount of subsidy.
19 So, rather than a full subsidy, then doing a
20 75-percent subsidy or a 50-percent subsidy and
21 maybe, as you mention, tiering that in -- so, sort
22 of provide a gradient for the -- to manage the rate
23 shock, but there are a lot of benefits from -- and
24 I recognize that from -- from the consolidation.

25 And it -- it provides system-wide benefits,

1 but I'm just concerned about this one system, in
2 that, from my perspective, I think that, with the
3 number of customers that it has, it could probably
4 withstand all the needs that it has with the number
5 that it has.

6 And -- and the -- the shock that would come in
7 terms of rates would not be as high if they were
8 just stand-alone, even with the -- with the -- with
9 the pro forma work that had to be done for them.

10 So, that's -- that's my only concern. So, I
11 don't have a specific proposal at this point.

12 CHAIRMAN BROWN: Okay. Thank you,
13 Commissioner Brisé.

14 Commissioner Polmann.

15 COMMISSIONER POLMANN: Thank you, Madam
16 Chairman.

17 I appreciate Commissioner Brisé bringing this
18 forward. Let me respond specifically to -- to what
19 he's brought to the table. I -- I have some
20 concern about the -- not about the banded
21 structure, but about a banded system that has one
22 and many, as opposed to a system that has several
23 bands that -- that are grouped. So, let me just
24 say that.

25 On -- on the staff recommendation, I don't

1 recall that there was any substantive discussion or
2 concern about the revenue requirement. Obviously,
3 there are adjustments to that based on our prior
4 discussion here on particulars and some things that
5 we changed, but I don't think that was disputed in
6 any way in terms of the revenue, but once you have
7 that, then there's the rate structure and the
8 rates.

9 And I had quite a bit of concern about going
10 to the consolidated rate -- and this was back
11 during -- during the hearing and so forth and the
12 options of a consolidated rate and the banded and
13 so forth.

14 And in the case of the consolidated rate, what
15 Commissioner Brisé just mentioned, how -- how
16 did -- you know, was that a stepped-in position?
17 Or does that come in gradually over time or -- or
18 how does that occur?

19 And I've given this quite a bit of thought.
20 And it seems that, yes, there will be a rate shock
21 for some. And in some cases, it can be very
22 significant, but as staff has indicated, there is a
23 benefit to be realized, and it may come over time,
24 but it has a great benefit to the entire system.
25 And I'm not sure that there's an easy way to get

1 there.

2 And looking at Sanlando, yes, there -- under
3 the proposal from the staff recommendation, there
4 is a significant stepped increase, no matter how
5 you look at it. But they're currently paying the
6 lowest rate and using a significant quantity of
7 water. And that's what makes the consolidation
8 work in terms of meeting the revenue requirement.

9 So, if you look at it from one way, it's the
10 best solution in terms of the balance in the
11 consolidation across the whole system. If you look
12 at it from the other way, there's a significant
13 impact. And I understand that and I have empathy
14 for that.

15 But if -- if you look across the entire
16 system -- I think the benefits outweigh any
17 discomfort that I have. And I -- I support the
18 consolidated approach as it has been put forward.
19 After giving it great thought, my only conclusion
20 is -- is to support it.

21 CHAIRMAN BROWN: Thank you, Commissioner
22 Polmann.

23 Commissioner Brisé.

24 COMMISSIONER BRISÉ: Thank you, Madam Chair.

25 And -- and I completely agree with -- with

1 what Commissioner Polmann has said with just one
2 caveat. This is not an electrical system where
3 they're -- the whole system is interconnected.

4 CHAIRMAN BROWN: Uh-huh.

5 COMMISSIONER BRISÉ: And -- and part of the
6 reality here is that each one of those are stand-
7 alone systems. And so, that's part of the
8 challenge that exists.

9 Now, I understand at the administrative level,
10 at the company level, there are efficiencies that
11 are gained through the consolidation. However,
12 when it comes down to the system level, there are
13 no benefits that are gained from one system to the
14 next.

15 So, the amount of water that's consumed is
16 almost irrelevant because, if the system -- if the
17 one system has the aquifer that provides the water
18 that -- that is there and the amount of treatment
19 that is necessary for -- for the water that is
20 coming out of that aquifer doesn't need as much
21 treatment as others, there is no benefit in terms
22 of purchasing the treatment materials, or the
23 chemicals. So --

24 CHAIRMAN BROWN: Uh-huh.

25 COMMISSIONER BRISÉ: -- that is -- to me, that

1 is part of the challenge that exists.

2 CHAIRMAN BROWN: All right. All good
3 comments, Commissioner Polmann, Commissioner
4 Brisé -- Commissioner Polmann, again.

5 COMMISSIONER POLMANN: I don't disagree
6 with -- with Commissioner Brisé. And I understand
7 the distinction. What -- my response to that is
8 simply to say that, if someone happens to live in
9 an area that has water that's inexpensive, I'm
10 happy for them. But they happen to be served by a
11 utility that serves many other customers. And if
12 that utility comes forward and needs to cover all
13 of their expenses, and this is an option, then they
14 should be given a fair chance to move forward with
15 that option.

16 And as I said, I have considerable
17 difficulty -- have had that difficulty coming to
18 this -- to this place. It's -- it's a difficult
19 decision to make. And I don't have a better
20 solution.

21 CHAIRMAN BROWN: Okay. Commissioner Brisé,
22 any further comments?

23 So, we've had a very nice, robust discussion,
24 but here we are with the staff recommendation.

25 Does any Commissioner have an alternative to

1 propose in a form of a motion?

2 Let's take a ten-minute break. How about
3 that? And we'll reconvene at 2:00. We are in
4 recess here.

5 (Brief recess.)

6 CHAIRMAN BROWN: All right. We are going back
7 on the record now. And we are at a point in our
8 case where we are looking at the rate structure for
9 Issues 60, 61, and 62, possibly 64 and 65; although
10 we didn't go into detail on 64 and 65. If
11 Commissioners have any questions on that, please
12 feel free to bring those up, but we're ready to
13 entertain a motion at this point.

14 So, Commissioner Polmann.

15 COMMISSIONER POLMANN: Thank you, Madam
16 Chairman. Given all the discussion that we've
17 had -- which I think was very fruitful. I think we
18 covered a lot of issues. I'm very satisfied that
19 we addressed everything that the Commission was
20 concerned about. If there was no further
21 discussion, I would like to make a motion.

22 Let me first confirm -- I'll just look to
23 counsel -- there's a deadline. We extended this to
24 today. Could you just please confirm for me that
25 today is the day to act on this?

1 MR. HETRICK: Today is the day to act on this.

2 COMMISSIONER POLMANN: Okay. Thank you.

3 MR. HETRICK: No question about that. Thank
4 you.

5 COMMISSIONER POLMANN: With all of the
6 discussion that we've had, I would like to make a
7 motion for staff recommendation on Issue 60, 61,
8 and 62, which concerns water. And we'll come back
9 to the -- to the wastewater, if we can, since I
10 don't think we discussed that. So, 60, 61, and 62.
11 And that's inclusive of whatever administrative
12 authority is appropriate. And any other words that
13 you want me to say, please tell me.

14 CHAIRMAN BROWN: Thank you. You encapsulated
15 exactly what staff would have asked for.

16 So, we have a motion to approve staff
17 recommendation on 60, 61, and 62. Is there a
18 second?

19 (No response.)

20 CHAIRMAN BROWN: Is there a second?

21 Seeing none, motion dies for lack of a second.

22 Is there an alternative motion?

23 (No response.)

24 CHAIRMAN BROWN: I did give a ten-minute
25 break.

1 Commissioner Graham.

2 COMMISSIONER GRAHAM: Sorry about that, Madam
3 Chair. I was just waiting to see if there was
4 going to be an alternative motion. I will second
5 that motion or, if it failed, I'll make that
6 motion, move staff recommendation on 60, 61, 62.

7 CHAIRMAN BROWN: Okay. And I'm assuming
8 Commissioner Polmann will make a second on that.

9 COMMISSIONER POLMANN: I'm assuming that
10 you're including all of the administrative
11 authority --

12 COMMISSIONER GRAHAM: Yes.

13 CHAIRMAN BROWN: Yes.

14 COMMISSIONER POLMANN: -- that staff was about
15 to request of you.

16 CHAIRMAN BROWN: Okay.

17 COMMISSIONER POLMANN: I will second my
18 motion, which failed, and second your motion,
19 which, apparently --

20 CHAIRMAN BROWN: It's a nice power play. I
21 like it.

22 COMMISSIONER POLMANN: Which, apparently, I
23 like yours better than you liked mine.

24 (Laughter.)

25 COMMISSIONER POLMANN: But thank you for the

1 opportunity that you gave for an alternative. I do
2 appreciate that. And we're very clear on what just
3 happened. That was strategic.

4 CHAIRMAN BROWN: Thank you. So, any
5 discussion on the proposed motion on the floor?
6 Any further discussion?

7 Commissioner Brisé.

8 COMMISSIONER BRISÉ: Yeah, thank you, Madam
9 Chair.

10 So, I didn't second the motion because I think
11 that -- though I agree with the position, I just
12 wasn't going to second the motion.

13 Our job here is to look at the general public
14 interest. And I think when we look at the staff
15 recommendation, in looking at the general public
16 interest, it satisfies that.

17 Do I think that there could be some
18 alternatives out there somewhere? That's possible,
19 but not very likely that would provide full equity
20 across the board. And so, this is a hard decision.

21 And I think that we've -- I think everyone has
22 seen that we have had ample discussion on this and
23 sort of turned it around and twisted it and --
24 and -- and looked at today, and also put on our
25 telescopes and try to look out into the future and

1 see if there, in the future, as things change, if
2 the -- if that same public interest that exists
3 today will continue to exist tomorrow as different
4 needs arise.

5 And so, I think, in approving staff rec- --
6 staff's recommendation on these issues, we do just
7 that. And we recognize -- I personally recognize
8 that there are some customers who are not going to
9 be happy with this decision. And that is the
10 reality. But that is the part of our job that
11 makes it difficult.

12 And so, we are not paid to make the easy
13 decisions. We are paid to do the public good. And
14 sometimes that calls for hard -- hard decisions.

15 CHAIRMAN BROWN: Well said, Commissioner
16 Brisé. And I appreciate this discussion. I think
17 it was very fruitful for the future. This is --
18 although I think Southern States was -- to me, is
19 clear, that gave us the authority to -- to go ahead
20 and approve uniform rates back then. This is --
21 this is a notable case for -- for this utility and
22 for the future of the Commission.

23 And with that, Commissioners, any further
24 discussion?

25 All those in favor, signify by saying aye.

1 (Chorus of ayes.)

2 CHAIRMAN BROWN: Motion passes unanimously.

3 On to 64 and 65, which are the wastewater
4 consolidation. Commissioners, any questions on
5 either of those items?

6 Commissioner Polmann.

7 COMMISSIONER POLMANN: I was waiting for any
8 discussion. Absent that, I'll make a motion for
9 staff recommendation including everything they
10 need.

11 CHAIRMAN BROWN: Okay. And there is -- yes.
12 And I see no -- no lights up. So, we have a motion
13 to approve staff recommendation on both.

14 COMMISSIONER BRISÉ: Motion.

15 CHAIRMAN BROWN: Thank you. And we have a
16 second.

17 Any further discussion?

18 I'll just ditto Commissioner Brisé's earlier
19 comments on behalf of all of us there.

20 All those in favor, say aye.

21 (Chorus of ayes.)

22 CHAIRMAN BROWN: Motion passes unanimously.

23 Issue -- we are going to go to Issue 60 -- can
24 we take up 66 and 67 together, which is the
25 miscellaneous service charge and the late-payment

1 charge. And brief overview.

2 MS. HUDSON: Commissioners, again, Shannon
3 Hudson. I was going to introduce the 60 -- all
4 other issues including from 66 to 82. Those issues
5 range from the miscellaneous service charges, late-
6 payment charge, allowance of funds prudently
7 invested, service availability charges, disposition
8 of any refunds, removal of rate-case expense from
9 the existing case, and how to treat rate-case
10 expense from prior dockets, in addition to various
11 other Commission-ordered adjustments, and the
12 manner in which they should be handled.

13 CHAIRMAN BROWN: Thank you, Ms. Hudson.

14 Commissioners, feel free to pull out any
15 questions that you have.

16 Commissioner Graham.

17 COMMISSIONER GRAHAM: Oh, I was just kind of
18 curious that you don't have a problem with the
19 late-payment charge.

20 (Laughter.)

21 CHAIRMAN BROWN: I can't wait to talk about
22 that. I'm sitting back here -- I thought staff did
23 a great job. You all know how strongly I feel
24 about the late-payment charge. I think we could
25 reduce it more, but I'm going to leave the staff

1 recommendation alone because I think they supported
2 and justified the cost. Thank you, Arthur.

3 I do have a question on Issue 66 regarding the
4 miscellaneous service charges. There's an
5 expansion factor for RAFs that was included in all
6 charges moving forward for those service costs.
7 Are they -- why are -- why is that reasonable? And
8 isn't that being recovered elsewhere?

9 MS. HUDSON: Since we, on designing the
10 rate -- the service rates, we removed -- I'm
11 sorry -- we removed miscellaneous service charges.
12 So, anything collected within the miscellaneous
13 service charge will not be collected also through
14 the service rates. So, they won't be getting it in
15 both places.

16 CHAIRMAN BROWN: Okay. Is this how the
17 Commission is going to proceed in future cases for
18 miscellaneous service charges?

19 MS. HUDSON: So far, we have been doing it on
20 a case-by-case basis. If a customer -- I'm
21 sorry -- if a utility company asks for it, we
22 consider it, but I don't think we just arbitrarily
23 do it all the time. That's something that I guess
24 we need to decide on a going-forward basis. But so
25 far, it's been as requested.

1 CHAIRMAN BROWN: I mean, I noticed OPC didn't
2 provide any comment on this. So, I was -- I was
3 curious why they didn't. And they didn't mention
4 it in their briefs, nor did Summertree.

5 MS. HUDSON: Yeah, the overall revenue
6 requirement, of course, includes the RAFs built
7 into it. So, that portion just would be recovered
8 through the miscellaneous service charge rather
9 than through the service rates.

10 CHAIRMAN BROWN: Okay. And -- and with that,
11 I think everything else on 66 and 67 seems very
12 reasonable. I still don't think the assistant
13 billing manager does -- does a great deal of work
14 on the late-payment charges. And I know you gave
15 them half, but I'm -- I'm skeptical that you need
16 two people to perform one task, review --
17 processing late-payment charges.

18 But overall, I think the staff recommendation
19 is reasonable and within what we've approved. I
20 just don't think that it's necessary to have two
21 employees perform one task. I think it's bad
22 practice, quite frankly.

23 With that, Commissioners, can we get a motion
24 on --

25 COMMISSIONER BRISÉ: So moved.

1 CHAIRMAN BROWN: Okay. Is there a second?

2 COMMISSIONER GRAHAM: Second.

3 CHAIRMAN BROWN: All those in favor, say aye.

4 (Chorus of ayes.)

5 CHAIRMAN BROWN: Motion passes to approve
6 staff recommendation.

7 All right. We are going to go to -- 68, 69,
8 and 70 are stipulated.

9 71, 73 -- and the remaining ones apart from 77
10 are on the table for discussion. Thank you -- 72.

11 COMMISSIONER POLMANN: 72 is stipulated.

12 CHAIRMAN BROWN: 72 is stipulated. 77 is
13 stipulated.

14 Commissioners, do you have any questions on
15 any of those items?

16 I have one comment, if you don't. It's
17 Issue 79, Page 309. Office of Public Counsel, in
18 its brief, delineated three points to ensure the
19 utility's compliance with other adjustments. We
20 saw, in previous cases for this utility, in the
21 past, they failed to make Commission-ordered
22 adjustments on the books.

23 Like, I'll give an example, the Phoenix
24 project. And we saw that repeatedly in its ledger.
25 I think OPC's suggestion, which is the second full

1 paragraph, talks about requiring UIF to provide an
2 Excel version of the adjusting entry to be stored
3 and analyzed by staff to verify compliance with the
4 order; also that the general ledger reflects the
5 date that the entry was booked and the schedules
6 and work papers that reconcile the numbers with the
7 Commission order to the specific numbers in the
8 accounting journal entries.

9 I don't think this is burdensome, staff. Do
10 you disagree?

11 MR. TRIERWEILER: No, Madam Chair, we do not
12 oppose any of the Office of Public Counsel's
13 suggestions.

14 CHAIRMAN BROWN: So, Commissioners, it would
15 be my suggestion to include OPC's suggestions in
16 Issue 79. And apart from that, if you have any
17 other questions or suggestions, now is the time to
18 do them.

19 Commissioner Graham?

20 COMMISSIONER GRAHAM: It's a good thing we
21 gave them those three extra people, huh?

22 (Laughter.)

23 CHAIRMAN BROWN: All right. So, we're taking
24 up Issues 71, 73, 74, 75, 76, 78, 79, 80, 81, and
25 82. And again, any motion should include staff to

1 have administrative authority to make any
2 corrections from prior issues.

3 Commissioner Graham.

4 COMMISSIONER GRAHAM: Thank you, Madam Chair.

5 I move staff recommendations on Issues 71
6 through 82, excluding 72, 77, and 79.

7 CHAIRMAN BROWN: Is there a second?

8 COMMISSIONER POLMANN: Second.

9 CHAIRMAN BROWN: Any discussion?

10 MR. HETRICK: Madam Chairman?

11 CHAIRMAN BROWN: Yes, sir.

12 MS. CRAWFORD: I'm sorry. I didn't mean to
13 interrupt the vote. We do have one little --
14 before we leave for the day, if we could have one
15 moment to bring your attention to something and --

16 CHAIRMAN BROWN: Sure.

17 MS. CRAWFORD: -- we can go from there.

18 CHAIRMAN BROWN: Okay. We're just --

19 MS. CRAWFORD: We can do it, now, if you would
20 like. Just -- the Commission and staff have done,
21 I think, a really heroic job of figuring out where
22 the issues correlate and where adjustments to one
23 issue would result in fallout calculations for the
24 other. I think we've captured it pretty
25 accurately.

1 But just in an abundance of caution, to the
2 extent that there are additional fallouts that
3 haven't been identified on the record here, we
4 would ask for the administrative authority to
5 capture those as we're moving forward in the order.

6 CHAIRMAN BROWN: Okay. So, Commissioner
7 Graham, your motion would include that language
8 that Ms. Crawford just said?

9 COMMISSIONER GRAHAM: Actually, I said that
10 probably the first 12 issues that we took up; that
11 we're going to handle this and then everything to
12 follow.

13 CHAIRMAN BROWN: Yes.

14 MS. CRAWFORD: Okay. Very good.

15 COMMISSIONER GRAHAM: You'll have one blanket
16 administrative authority.

17 MS. CRAWFORD: Thank you.

18 CHAIRMAN BROWN: Okay. Every- -- Commissioner
19 Polmann, do you understand?

20 COMMISSIONER POLMANN: Yes, I do on that.

21 CHAIRMAN BROWN: Okay.

22 COMMISSIONER POLMANN: I wanted to ask
23 Commissioner Graham, if we -- if he excluded from
24 the current motion No. 79.

25 COMMISSIONER GRAHAM: Yes, I did. 72, 77, 79.

1 CHAIRMAN BROWN: Excellent. Any further
2 discussion on the motion?

3 Seeing none, all those in favor, signify by
4 saying aye.

5 (Chorus of ayes.)

6 CHAIRMAN BROWN: Motion passes. Thank you.
7 Now, to 79.

8 COMMISSIONER GRAHAM: 79, we move staff
9 recommendation with the inclusion of the OPC's
10 recommendation on the audit analysis?

11 CHAIRMAN BROWN: Compliance with Commission-
12 ordered adjustments.

13 COMMISSIONER GRAHAM: Say that on the record.

14 CHAIRMAN BROWN: OPC's recommendation on
15 compliance -- compliance with Commission-ordered
16 adjustments.

17 COMMISSIONER GRAHAM: That is my motion.

18 CHAIRMAN BROWN: All right. Is there a
19 second?

20 COMMISSIONER POLMANN: Second.

21 CHAIRMAN BROWN: Any further discussion?
22 All those in favor, signify by saying aye.

23 (Chorus of ayes.)

24 CHAIRMAN BROWN: Motion passes.

25 That concludes all of the issues in this

1 docket.

2 Mr. Baez, before we conclude, do you have any
3 parting words?

4 MR. BAEZ: Thank you, Madam Chairman.

5 I just -- I don't -- I try and shut up as much
6 as possible on these things, but I -- I did want to
7 recognize the staff's hard work. I know that you
8 did it at the outset -- and thank you for doing
9 that -- but I didn't get to say it.

10 And I've said it to some of the directors, but
11 I think that -- that all of the people have put in
12 a lot of hours and a lot of Saturdays and probably
13 a lot of Sundays, too -- although, I'm not sure --
14 fortunately, for me.

15 Y'all should be really, really proud of
16 yourselves. This was an incredible test of a case.
17 Those of you that had nothing to learn probably
18 learned something new. And those of you that had a
19 lot to learn learned a lot, I'm sure, as well.

20 And I also wanted to thank the Commissioners
21 for being a very, very tough test for -- for your
22 staff. So, thank you for that as well. You were
23 incredibly engaged all the way. And so -- but
24 again, I wanted to thank the staff personally and
25 out loud while the lights and the mics were still

1 on.

2 Thanks for letting me do that, Madam Chair.

3 CHAIRMAN BROWN: Thank you.

4 Mr. Hetrick, any comments?

5 MR. HETRICK: I couldn't have said that better
6 than Mr. Baez. All the legal staff as well, all of
7 the countless hours and time, and the Commissioners
8 as well for challenging everyone. Thank you.

9 CHAIRMAN BROWN: Thank you.

10 Commissioners, any parting words?

11 Commissioner Graham.

12 COMMISSIONER GRAHAM: Thank you, Madam Chair.

13 I would ditto with -- executive director and
14 general counsel said. I would also throw in our --
15 our own staff because they've gone through most of
16 this stuff -- all of this stuff and had to deal
17 with it, and all the service hearings, which is
18 very, very labor-intensive.

19 And a lot of people don't talk about Cindy and
20 her group because that is a difficult thing to do.
21 And this is the first time we had to start doing
22 this stuff live-stream, and that was a new process.
23 And I think it all went pretty well.

24 And lastly, I wanted to thank our Chairwoman.

25 I think you've ran a great meeting here today.

1 This is not an easy thing to get through with 82
2 different issues. And I think you did a yeoman's
3 job.

4 CHAIRMAN BROWN: Thank you. Wonderful.

5 Any further comments? Commissioner Polmann.

6 COMMISSIONER POLMANN: Well, everything has
7 been said. And thank you to my colleagues. It's
8 been a pleasure working on this with you. Thank
9 you to the staff. Been very helpful. My first
10 major effort here on -- on a case. And you've made
11 it easy, as hard as it's been. So, thank you so
12 much.

13 The customer service hearings were good and --
14 and made to be -- made to be such by the efforts of
15 staff. I -- I would be remiss for not thanking the
16 customers for coming out and participating. So,
17 let me say that.

18 Thank you to my staff, as well. And really
19 appreciate the work put forward by everyone. It's
20 been a pleasure working -- working on this. It's
21 great to be here. Thanks.

22 CHAIRMAN BROWN: Thank you, Commissioner
23 Polmann.

24 And with that, again, thank you all for being
25 here today. This concludes this special agenda

1 conference. Safe travels and have a great
2 afternoon.

3 (Whereupon proceedings were concluded at 2:20
4 p.m.)

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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
time and place herein stated.

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

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

DATED THIS 10th day of August, 2017.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021

Water Subsidy Comparison @ 7,000 Gallons

Systems	Subsidy - All Systems	Subsidy - All Systems Without Sanlando
Sanlando	\$12.50	N/A
Pennbrooke	(\$1.90)	\$10.49
LUSI	(\$3.17)	\$9.22
UIF - Marion	(\$7.16)	\$5.23
Cypress Lakes	(\$21.92)	(\$9.53)
Lake Placid	(\$44.52)	(\$32.13)
UIF - Pasco - Summertree	(\$50.58)	(\$38.19)
UIF - Pasco - Orangewood	(\$54.69)	(\$42.30)
Labrador	(\$55.27)	(\$42.88)
UIF - Seminole	(\$56.91)	(\$44.52)
UIF - Orange	(\$80.48)	(\$68.09)
UIF - Pinellas	(\$97.10)	(\$84.71)

* Based on revenue requirement provided in oral modification

Parties/Staff Handout
 Internal Affairs/Agenda (Special)
 on 8 / 3 / 17
 Item No. 1
 Issue Nos. 60-65

Everyone but Sanlando Scenario 2

Participating Staff Handout
Internal Affairs Agenda (Special)
on 8/13/17
Item No. 1
ISSUE Nos. 60-65

3-Aug-17
9:10 AM

Version 2016 - Restrict Repression Recovery in 1st Block = 0

Company: UIF
Docket: 160101-WS
Analyst: BRUCE
Test Year: June 30, 2017

Test Year Service Revenues \$9,042,373
+ Test Year Miscellaneous Revenues \$105,779
= Total Test Year Revenues \$9,148,152
+ Change in Revenue Requirement \$2,326,866
= Total Recommended Rev. Req. \$11,475,018
- Miscellaneous Revenues \$220,000
= Pre-Repression Rev. Requirement \$11,255,018

Purchased Power Expense \$459,777
Chemicals Expense \$173,490
Purchased Water Expense \$164,749

Monthly Fixed Cost (40% Allocation): \$374,161

Billing Determinants: ERCs Kgals
Residential 23,961 731,884
General Service 23,961 129,702
Totals: 279,095 1,861,586

BFC \$0.00
Kgal Allotment in BFC: 0
Number of Rate Blocks: 5

Block	Lower	Upper	Rate
1	0	8	\$0.00
2	8	16	\$0.00
3	16	10,000,000	\$0.00
4			
5			

Average # People per Household x gpd/person non-discr. usage 50
=> Discr. usage threshold (Kgal) 8,000

Discretionary Usage Elasticity: 0.200
Repression Threshold (% Change) 10.0%
Repression Threshold (\$ Change) \$5.00

		Selectable Billing Analysis Data			
		Usage	% Bills	% Kgal	% Disc Kgals
Percentage Change in Total Revenue Requirement:	25.5%	20.5%	12.7%	0.0%	0.0%
Percentage Change in Total Rev. Req. - Misc Revenues:	25.8%	32.6%	24.0%	0.0%	0.0%
Percentage of Bills < 1 Kgal per month:	20.5%	44.6%	33.6%	0.0%	0.0%
		61.9%	48.0%	0.0%	0.0%
		80.4%	68.8%	17.4%	17.4%
		84.1%	73.9%	31.4%	31.4%
		88.1%	80.1%	47.7%	47.7%
		98.9%	96.7%	91.4%	91.4%
		99.4%	97.9%	94.6%	94.6%

	Total Kgals	(≤ 1 Kgal)	(> 1 Kgal)
Number of Residential Bills:	246,538	50,576	195,962
Number of Residential Kgals:	1,731,884	23,241	1,708,643

Average Usage per Customer:	7.025	0.480	6.719
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Set BFC Allocation: Restrict Repression Recovery in 1st Block (1 = Yes, 0 = No)

Revenue Allocation	
BFC	Gallons
\$3,928,687	\$7,296,133
35.0%	65.0%

Number of Rate Blocks:				Billing Determinants			Billing Determinants		
Block	Lower	Upper	Rate Factor	Units	Kgals	Disc. Kgals	Proportions	Kgals	Disc. Kgals
1	0	8	0.00	133,908	718,139	0	54.3%	41.5%	0.0%
2	4	16	0.50	73,365	562,325	206,607	29.8%	32.5%	31.4%
3	12	10,000,000	2.50	39,265	451,420	451,420	15.9%	26.1%	68.6%
4									
5									
Totals:				246,538	1,731,884	658,027	100.0%	100.0%	100.0%

Residential Rates, Repression, and Revenues						Price Induced Conservation Effects in Kgals/Cust	
BFC	Rate	Pre-Rep. Kgals	Kgals Repressed	Post-Rep. Kgals	Post-Rep. Revenues	Pre-Repression	
\$14.08						Average Overall Consumption:	7.025
Block	Rate	Pre-Rep. Kgals	Kgals Repressed	Post-Rep. Kgals	Post-Rep. Revenues	Average Resident Consumption:	8.719
1	\$2.52	718,139	0	718,139	\$1,811,992	Average Resident Discr. Consumption:	0.719
2	\$3.78	562,325	0	562,325	\$2,128,268	Post-Repression	
3	\$6.31	451,420	0	451,420	\$2,847,531	Average Overall Consumption:	7.025
4					\$0	Average Resident Consumption:	8.719
5					\$0	Average Resident Discr. Consumption:	0.719
Totals:		1,731,884	0	1,731,884	\$6,787,791	Percentage Change	
						Average Overall Consumption:	0.0%
						Average Resident Consumption:	0.0%
						Average Resident Discr. Consumption:	0.0%

All Other Classes Rates and Revenues				Revenue Sufficiency	
BFC	Rate	Units	Revenues	Minimum Month	Deficit Amount
\$14.08		23,961	\$337,281		
\$/Kgal	\$3.92	129,702	\$508,342	Jan-Dec	(\$2,140)

Pre-Repression Revenue Requirement:	\$11,224,820	Residential BFC Revenues	\$3,591,406
Adj Purchase Power	\$0	Residential Gallonage Revenues	\$6,787,791
Adj Chemicals	\$0		
Adj Purchased Water	\$0	Non-Residential BFC Revenues	\$337,281
Total	\$0	Non-Residential Gallonage Revenues	\$508,342
Gross up for RAFs	\$0		
Post Repression Revenue Requirement:	\$11,224,820	Post Repression Revenues	\$11,224,820

Kgals	% Change	\$ Change	New Bill
0	#DIV/0!	\$14.08	\$14.08
1	#DIV/0!	\$16.60	\$16.60
2	#DIV/0!	\$19.12	\$19.12
3	#DIV/0!	\$21.64	\$21.64
4	#DIV/0!	\$24.16	\$24.16
5	#DIV/0!	\$27.94	\$27.94
6	#DIV/0!	\$31.72	\$31.72
7	#DIV/0!	\$35.50	\$35.50
8	#DIV/0!	\$39.28	\$39.28
9	#DIV/0!	\$43.06	\$43.06
10	#DIV/0!	\$46.84	\$46.84
11	#DIV/0!	\$50.62	\$50.62
12	#DIV/0!	\$54.40	\$54.40
13	#DIV/0!	\$60.71	\$60.71
14	#DIV/0!	\$67.02	\$67.02
15	#DIV/0!	\$73.33	\$73.33
16	#DIV/0!	\$79.64	\$79.64
17	#DIV/0!	\$85.95	\$85.95
18	#DIV/0!	\$92.26	\$92.26
19	#DIV/0!	\$98.57	\$98.57
20	#DIV/0!	\$104.88	\$104.88
21	#DIV/0!	\$111.19	\$111.19
22	#DIV/0!	\$117.50	\$117.50
23	#DIV/0!	\$123.81	\$123.81
24	#DIV/0!	\$130.12	\$130.12
25	#DIV/0!	\$136.43	\$136.43
26	#DIV/0!	\$142.74	\$142.74
27	#DIV/0!	\$149.05	\$149.05
28	#DIV/0!	\$155.36	\$155.36
29	#DIV/0!	\$161.67	\$161.67
30	#DIV/0!	\$167.98	\$167.98
31	#DIV/0!	\$174.29	\$174.29
32	#DIV/0!	\$180.60	\$180.60
33	#DIV/0!	\$186.91	\$186.91
34	#DIV/0!	\$193.22	\$193.22
35	#DIV/0!	\$199.53	\$199.53
36	#DIV/0!	\$205.84	\$205.84
37	#DIV/0!	\$212.15	\$212.15
38	#DIV/0!	\$218.46	\$218.46
39	#DIV/0!	\$224.77	\$224.77
40	#DIV/0!	\$231.08	\$231.08
41	#DIV/0!	\$237.39	\$237.39
42	#DIV/0!	\$243.70	\$243.70
43	#DIV/0!	\$250.01	\$250.01
44	#DIV/0!	\$256.32	\$256.32
45	#DIV/0!	\$262.63	\$262.63
46	#DIV/0!	\$268.94	\$268.94
47	#DIV/0!	\$275.25	\$275.25
48	#DIV/0!	\$281.56	\$281.56
49	#DIV/0!	\$287.87	\$287.87
50	#DIV/0!	\$294.18	\$294.18
51	#DIV/0!	\$300.49	\$300.49
52	#DIV/0!	\$306.80	\$306.80
53	#DIV/0!	\$313.11	\$313.11
54	#DIV/0!	\$319.42	\$319.42
55	#DIV/0!	\$325.73	\$325.73

* Based on revenue requirement filed with oral modification.
Avg bill @ 7,000 \$35.50

Fully Consol. Rate
23. V

SANLANDO
TEST YEAR ENDED DECEMBER 31, 2015
MONTHLY WATER RATES

	Rates Prior To Filing	Utility Current Rates	Staff Recommended Rates
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$4.49	\$4.44	\$4.09
3/4"	\$6.75	\$6.68	\$6.14
1"	\$11.24	\$11.12	\$10.23
1-1/2"	\$22.47	\$22.23	\$20.45
2"	\$35.95	\$35.56	\$32.72
3"	\$71.90	\$71.12	\$65.44
4"	\$112.35	\$111.13	\$102.25
6"	\$224.70	\$222.25	\$204.50
8"	\$359.52	\$355.11	\$327.20
10"	N/A	N/A	\$593.05
Charge per 1,000 gallons - Residential			
0 - 6,000 gallons	\$0.95	\$0.94	\$0.87
6,001 - 15,000 gallons	\$1.43	\$1.41	\$1.30
Over 15,000 gallons	\$2.37	\$2.35	\$2.16
Charge per 1,000 gallons - General Service	\$1.63	\$1.61	\$1.48
<u>Private Fire Protection</u>			
1 1/2" Private Fire Line	\$1.87	\$1.85	
2" Private Fire Line	\$3.00	\$2.97	
4" Private Fire Line	\$9.36	\$9.26	
6" Private Fire Line	\$18.72	\$18.52	
8" Private Fire Line	\$29.96	\$29.29	
10" Private Fire Line	N/A	N/A	
12" Private Fire Line	N/A	N/A	

Percentage Increase

Test Year Revenue	\$4,619,340
Less Miscellaneous Revenues	\$24,561
Service Revenues	\$4,594,779
Revenue Decrease	(\$327,577)
Less Incremental Increase in MSF	\$36,061
Adjusted Revenue Decrease	(\$363,638)
Percentage Increase	-7.91%

0	6	7	8	15	16
\$4.09	\$9.31	\$10.61	\$11.91	\$21.01	\$23.17

* Based revenue requirement filed with oral modification

* Sanlando's water system revenue requirement is a decrease from test year. On a stand-alone basis, staff would evaluate allocating revenues from wastewater to avoid a decrease in water rates.

WASTEWATER RATE CALCULATOR

08/03/17

08:40 AM

Sanlando Only
Docket No. 160101

Parties/Staff Handout
Internal Affairs Agenda (Special)
on 8/3/17
Item No. 1 Issues 60-65

BFC ALLOCATION 51.80%
GALLONAGE CAP 8,000

PART 1 BILLING DETERMINANTS					PART 3 REVENUE PROOF				
Class / Meter Size		TY Bills	Meter Factor	ERCs	Cons Gals	BFC	Gal	BFC	Gal
Residential:	All Meter Sizes	95,662	1.0	95,662	586,958.000	\$25.41	\$3.31	\$2,430,771	\$1,942,831
	Bulk (DeeAnn)						\$3.31		\$0
	Flat Rate	7,296	1.0	7,296	36,480.000	\$25.41	\$3.31	\$185,391	120,749
TOTAL RESIDENTIAL		102,958		102,958	623,438.000			\$2,616,163	\$2,063,580
					Total Residential				\$4,679,743
General:	5/8" x 3/4"	1,250	1.0	1,250	8,922.000	\$25.41	\$3.97	\$31,763	\$35,420
	3/4"	0	1.5	0	0.000	\$38.12	\$3.97	\$0	\$0
	1"	755	2.5	1,888	9,837.000	\$63.53	\$3.97	\$47,965	\$39,053
	1 1/2"	1,163	5.0	5,815	48,488.000	\$127.05	\$3.97	\$147,759	\$192,497
	2"	1,214	8.0	9,712	85,768.000	\$203.28	\$3.97	\$246,782	\$340,499
	3"	212	16.0	3,392	36,630.000	\$406.56	\$3.97	\$86,191	\$145,421
	4"	72	25.0	1,800	21,016.000	\$635.25	\$3.97	\$45,738	\$83,434
	6"	23	50.0	1,150	30,925.000	\$1,270.50	\$3.97	\$29,222	\$122,772
	8"	12	80.0	960	13,848.000	\$2,032.80	\$3.97	\$24,394	\$54,977
	10"		145.0	0		\$3,684.45	\$3.97	\$0	\$0
	Flat Rate	6,372	1.0	6,372	30,980.664	\$25.41	\$3.97	\$161,913	\$122,993
	Bulk (DeeAnn)		58.0	0		\$1,473.78	\$3.97	\$0	\$0
General Gals					286,414.664			\$821,725	\$1,137,066
					Total General Service				\$3,437,888
TOTAL GENERAL SERVICE		11,073						\$1,958,791	\$3,200,646
TOTAL BILLS		114,031							
TOTAL METER EQUIVS:				135,297				6,638,534	
TOTAL GALS:					909,852.664			Revenue Difference	394
								Percentage Difference	0.01%

PART 2 RECOMMENDED RATES			
	ALLOCATION	52% BFC	48% Gal
Revenue Requirement less Misc Revs	\$6,638,140	\$3,438,557	\$3,199,583
Unit Cost per BFC (RS and GS):		\$25.41	
Adjusted RS kgals	498,750.400		
Adjusted GS kgals	274,958.080		
Total adj RS + GS kgals	773,708.480		
Unadjusted kgal charge			\$4.14
Residential Unit Cost per Kgal:			\$3.31
Gen Service Unit Cost per Kgal:			\$3.97

PART 4 CHANGE IN BILLS				
KGAL	OLD BILL	CHANGE %	CHANGE \$	NEW BILL
0	\$0.00	#DIV/0!	\$25.41	\$25.41
1	\$0.00	#DIV/0!	\$28.72	\$28.72
2	\$0.00	#DIV/0!	\$32.03	\$32.03
3	\$0.00	#DIV/0!	\$35.34	\$35.34
4	\$0.00	#DIV/0!	\$38.65	\$38.65
6	\$0.00	#DIV/0!	\$45.27	\$45.27
7	\$0.00	#DIV/0!	\$48.58	\$48.58
8	\$0.00	#DIV/0!	\$51.89	\$51.89
10	\$0.00	#DIV/0!	\$51.89	\$51.89

51.89
bill @
8,000 gallons

CURRENT RESIDENTIAL RATES
BFC
KGAL CHARGE
GALLONAGE CAP 8,000

WASTEWATER RATE CALCULATOR

08/03/17

08:35 AM

UIF Consolidated excluding Sanlando
Docket No. 160101

BFC ALLOCATION 51.80%
GALLONAGE CAP 8,000

PART 1 BILLING DETERMINANTS					PART 3 REVENUE PROOF			
Class / Meter Size	TY Bills	Meter Factor	ERCs	TY Cons Gals	BFC	Gal	BFC	Gal
Residential: All Meter Sizes	160,308	1.0	160,308	1,172,622.000	\$28.04	\$3.38	\$4,495,036	\$3,963,462
Bulk (DeeAnn)				1,986.000		\$3.38		\$6,713
Flat Rate	21,817	1.0	21,817	109,085.000	\$28.04	\$3.38	\$611,749	368,707
TOTAL RESIDENTIAL	182,125		182,125	1,283,693.000			\$5,106,785	\$4,338,882
General: 5/8" x 3/4"	1,476	1.0	1,476	13,097.000	\$28.04	\$4.05	\$41,387	\$53,043
3/4"	0	1.5	0	0.000	\$42.06	\$4.05	\$0	\$0
1"	2,941	2.5	7,353	68,134.000	\$70.10	\$4.05	\$206,164	\$275,943
1 1/2"	898	5.0	4,490	33,368.000	\$140.20	\$4.05	\$125,900	\$135,140
2"	1,374	8.0	10,992	115,221.000	\$224.32	\$4.05	\$308,216	\$466,645
3"	173	16.0	2,768	41,572.000	\$448.64	\$4.05	\$77,615	\$168,367
4"	48	25.0	1,200	3,549.000	\$701.00	\$4.05	\$33,648	\$14,373
6"	146	50.0	7,300	69,771.000	\$1,402.00	\$4.05	\$204,692	\$282,573
8"	24	80.0	1,920	4,463.000	\$2,243.20	\$4.05	\$53,837	\$18,075
10"	12	145.0	1,740	10,849.000	\$4,065.80	\$4.05	\$48,790	\$43,938
Flat Rate	0	1.0	0		\$28.04	\$4.05	\$0	\$0
Bulk (DeeAnn)	12	58.0	696		\$1,626.32	\$4.05	\$19,516	\$0
General Gals				360,024.000			\$1,119,763	\$1,458,097
TOTAL GENERAL SERVICE	7,104							\$6,226,548
TOTAL BILLS	189,229							\$5,796,980
TOTAL METER EQUIVS:			222,060				12,023,528	
TOTAL GALS:				1,643,717.000			4,119	
							0.03%	

PART 2 RECOMMENDED RATES				PART 4 CHANGE IN BILLS				
	ALLOCATION	52% BFC	48% Gal	KGAL	OLD BILL	CHANGE %	CHANGE \$	NEW BILL
Revenue Requirement less Misc Revs	\$12,019,409	\$6,226,054	\$5,793,355		0	\$0.00	#DIV/0!	\$28.04
Unit Cost per BFC (RS and GS):		\$28.04			1	\$0.00	#DIV/0!	\$31.42
Adjusted RS kgals	1,026,954.400				2	\$0.00	#DIV/0!	\$34.80
Adjusted GS kgals	345,623.040				3	\$0.00	#DIV/0!	\$38.18
Total adj RS + GS kgals	1,372,577.440				4	\$0.00	#DIV/0!	\$41.56
Unadjusted kgal charge			\$4.22		6	\$0.00	#DIV/0!	\$48.32
Residential Unit Cost per Kgal:			\$3.38		7	\$0.00	#DIV/0!	\$51.70
Gen Service Unit Cost per Kgal:			\$4.05		8	\$0.00	#DIV/0!	\$55.08
					10	\$0.00	#DIV/0!	\$55.08

55.08
bill at
8,000 gallons

CURRENT RESIDENTIAL RATES
BFC
KGAL CHARGE
GALLONAGE CAP 8,000