

ORIGINAL

RECEIVED-PPSC

55 JUN 21 PH 1:39

RECORDS AND REPORTING



JACK SHREVE
PUBLIC COUNSEL

STATE OF FLORIDA
OFFICE OF THE PUBLIC COUNSEL

c/o The Florida Legislature
111 West Madison St.
Room 812
Tallahassee, Florida 32399-1400
850-488-9330

June 21, 1999

Ms. Blanca S. Bayó, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 981781-SU

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of Direct Testimony of Kimberly H. Dismukes for filing in the above-referenced docket.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Stephen C. Reilly
Associate Public Counsel

SCR/dsb
Enclosures

- ___ AFA
- ___ APP
- ___ CAF
- ___ CMU
- ___ CTR
- ___ EAG
- ___ LEG
- ___ MAS *Stog*
- ___ CPC
- ___ RRR
- ___ SEC
- ___ **WAV**
- ___ OTH

GA8TEVE981781NBAY03.LTR

DOCUMENT NUMBER-DATE

~~07480~~ JUN 21 99

PPSC-RECORDS/REPORTING

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of North Fort Myers)
Utility, Inc. for an extension of)
wastewater service in Lee County)

Docket No. 981781-SU
Filed: June 21, 1999

Direct Testimony

of

Kimberly H. Dismukes

On Behalf of the Citizens of the State of Florida

Jack Shreve
Public Counsel

Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, Florida 32399-1400

(850) 488-9330

Attorney for the Citizens
of the State of Florida

DOCUMENT NUMBER-DATE

07480 JUN 21 89

FPSC-RECORDS/REPORTING

11/11/99

1
2
3
4
5
6
7
8
9
10
11
12

TESTIMONY
OF
KIMBERLY H. DISMUKES

On Behalf of the
Florida Office of the Public Counsel

Before the
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 981781-SU

13 **Q. WHAT IS YOUR NAME AND ADDRESS?**

14 A. Kimberly H. Dismukes, 6455 Overton Street, Baton Rouge, Louisiana 70808.

15 **Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?**

16 A. I am a self-employed consultant in the field of public utility regulation. I have been
17 retained by the Office of the Public Counsel (OPC), on behalf of the Citizens of the
18 State of Florida, to evaluate the request by North Fort Myers Utility (NFMU or the
19 Company) to extend its service territory to include the territory of Buccaneer Mobile
20 Estates (Buccaneer).

21 **Q. DO YOU HAVE AN APPENDIX THAT DESCRIBES YOUR**
22 **QUALIFICATIONS IN REGULATION?**

23 A. Yes. Appendix I, attached to my testimony, was prepared for this purpose.

24 **Q. WOULD YOU PLEASE DESCRIBE THE EVENTS LEADING UP TO THE**
25 **INSTANT PROCEEDING?**

26 A. Buccaneer consists of 971 manufactured home sites which had previously received
27 wastewater service from SnowBirdLand Vistas, Inc. and MHC-DeANZA Financing
28 Limited Partnership (the Park Owner) as part of their lot rent. The wastewater

1 service provided by the Park Owner was exempt from regulation by the Commission.
2 Water service to Buccaneer is provided by Buccaneer Water Service, a Commission
3 regulated utility. The water utility purchases its water from Lee County Utilities, and
4 therefore, does not have a water treatment plant.

5
6 On or about August 24, 1998, NFMU executed a Wastewater Developer Agreement
7 with the Park Owner of Buccaneer. The Wastewater Agreement was filed with the
8 Commission on September 4, 1998, and deemed approved by the Company on
9 October 4, 1998 pursuant to Rule 25-30.550, Florida Administrative Code. In a
10 memorandum to the customers of Buccaneer from the Park Owner dated August 24,
11 1998, customers were informed that utility service had been assigned to NFMU, that
12 connection fees would be collected in the amount of \$462, and that effective
13 December 1, 1998, NFMU would begin billing for monthly service and the lot rent
14 would decrease by \$6.07.

15
16 Before mid September, 1998, Buccaneer's wastewater collection system was
17 interconnected with NFMU's system. Buccaneer's existing wastewater treatment
18 plant operating permit expired on November 23, 1998. On December 1, 1998,
19 NFMU filed an Application for Amendment to Certificate of Authorization to include
20 the wastewater service area of Buccaneer. On December 7, 1998, NFMU filed an
21 Emergency Motion to Implement Rates and Charges with respect to the

1 interconnection of existing wastewater customers within the Buccaneer Estates
2 mobile home community to NFMU.

3
4 On December 18, 1998, numerous customer protests concerning the application of
5 NFMU's monthly rates and connection fees were received by the Commission. On
6 December 21, 1998, the Office of Public Counsel (OPC) filed a Response to the
7 Emergency Motion to Implement Rates and Charges. In Order No. PSC-99-0420-
8 PCO-SU, issued March 1, 1999, the Commission set for hearing the matter of
9 determining if the Commission should grant NFMU's Application for Amendment to
10 Certificate of Authorization, i.e. NFMU's request to amend its wastewater certificate
11 to include the territory of Buccaneer.

12 **Q. DID THE COMMISSION GRANT NFMU'S EMERGENCY MOTION TO**
13 **IMPLEMENT RATES AND CHARGES?**

14 **A.** No, the Commission denied its motion and ordered it to show cause why it should not
15 be fined for violating Section 367.045(2), Florida Statutes. Concerning the show case,
16 the Commission found: "Failure to obtain approval of the Commission prior to serving
17 territory outside of its certificate is an apparent violation of Section 367.045(2),
18 Florida Statutes. Therefore, NFMU is ordered to show cause, in writing, within 21
19 days, why it should not be fined \$5,000 for an apparent violation of Section
20 367.045(2), Florida Statutes" [Order No. PSC-99-0492-SC-SU, p. 5.]

21

1 Concerning its request to implement rates and charges the Commission specifically
2 rejected NFMU request to collect service availability charges and monthly rates from
3 the customers of Buccaneer. For the following reasons, the Commission denied
4 NFMU request to collect service availability charges from Buccaneer's customers:

5 Since the origin of the language requiring an interconnection
6 of mobile home parks and collection of pass-through charges
7 is not clear at this time, and OPC has alleged that we cannot
8 impose a connection fee on lessees (as opposed to lot
9 owners), we find it inappropriate to approve a connection fee
10 at this time. The customers have requested a hearing in this
11 docket. As such, all of these issues shall be fully explored at
12 the September 14-15, 1999 hearing. In addition, NFMU has
13 illegally connected the customers to its service, thus reserving
14 the issue of collecting connection fees until the hearing sends
15 an appropriate signal to the utility. [Ibid., p. 11.]
16

17 Concerning monthly rates, the Commission found that NFMU illegally interconnected
18 with Buccaneer and that NFMU should look to the Park Owner for compensation.

19 Specifically, the Commission determined:

20 The foregoing notwithstanding, NFMU interconnected the
21 park without our approval and we believe the legal obligation
22 to serve the residents of Buccaneer remains with the owner.
23 NFMU has not followed our process to establish itself as the
24 legal entity to provide service to Buccaneer. NFMU should
25 look to the Park Owner to pay the bulk rate or whatever is fair
26 an[d] reasonable to make sure that service is provided. Until
27 we determine that it is in the public interest that this transfer
28 takes place, that is when we will determine what a fair, just,
29 and reasonable rate is. To do otherwise would send a mixed
30 signal on how we are going to handle situations wherein a
31 transfer has occurred without our prior approval.
32 Accordingly, the utility's Emergency Motion to Implement
33 Rates and Charges is denied in its entirety. [Ibid., p. 12.]
34

1 **Q. WHAT ARE THE TERMS OF THE WASTEWATER AGREEMENT**
2 **EXECUTED BETWEEN NFMU AND THE PARK OWNER?**

3 A. According to the Wastewater Agreement the Park Owner agreed to pay upon
4 executing the Agreement \$462 of system connection charges times the 971 mobile
5 home lots, for a total payment of \$448,602. In addition, the Park Owner assigned to
6 NFMU the alleged right to be reimbursed by the tenants leasing the lots in Buccaneer,
7 the \$462 system connection charges assessed by NFMU. The Park Owner also
8 conveyed to NFMU title to the Buccaneer wastewater collection system and in return
9 NFMU agreed to pay the Park Owner \$585,589. This payment was to be made in
10 two installments. The first, in the amount of \$448,602, was to be paid to the Park
11 Owner upon execution and delivery of the Wastewater Agreement. The second, in
12 the amount of \$136,987, was due and payable on approximately November 25, 1998,
13 or 90 days after the Park Owner notified the lessees of the lots concerning the
14 Wastewater Agreement and the alleged right to collect the pass-through service
15 availability charge.

16 **Q. WHAT IS NFMU'S POSITION ON WHY BUCCANEER NEEDED TO**
17 **INTERCONNECT WITH NFMU?**

18 A. According to the testimony of Mr. Reeves, there are two reasons why Buccaneer
19 needed to interconnect with NFMU. First, according to Mr. Reeves, Lee County
20 adopted Ordinance 91-01 which "required mandatory hook-up to central wastewater
21 systems when they are available to property previously served by an on-site disposal

1 system.” [Reeves Direct Testimony, p. 3.] Second, according to Mr. Reeves, the
2 Department of Environmental Protection’s Operating Permit for the Buccaneer’s
3 wastewater system expired in November 1998 and the wastewater plant could not
4 hydrologically or biologically handle flows during the months of peak occupancy and
5 during peak rainfall months. [Ibid.]

6
7 In addition to the reasons given in Mr. Reeves’ direct testimony, NFMU claimed in
8 its Emergency Motion to Implement Rates and Charges that the “Park Owner’s
9 wastewater system was not in compliance with environmental regulations and had
10 been ordered to interconnect with NFMU.”

11 **Q. DO YOU AGREE WITH THE REASONS GIVEN BY NFMU AS TO WHY IT**
12 **WAS NECESSARY, IF AT ALL, FOR BUCCANEER TO INTERCONNECT**
13 **WITH NFMU?**

14 **A.** No. First, Ordinance 91-01 (the Ordinance), does not require a mandatory hook-up
15 to central wastewater systems when they are available to property previously served
16 by an on-site disposal system, as alleged by Mr. Reeves. Instead, the Ordinance
17 allows for exemption for on-site disposal systems other than standard septic tank
18 systems, provided that such a system has maintained continuous compliance with all
19 rules, orders, statutes, and/or regulations, relating to the operation and maintenance
20 of the facility, of any regulatory agencies or governmental authorities having
21 jurisdiction over the facility. Continuous compliance is defined in Ordinance 91-01,

1 stating that it means that the on-site sewage disposal system has not been out of
2 compliance at any time during the preceding 12 months before the notification by
3 mail, with any rule, order, statute, and/or regulation relating to the operation and
4 maintenance of the facility of any regulatory agencies or governmental authorities
5 having jurisdiction over that facility. The Ordinance allows for transitory or
6 temporary violation, if it is immediately repaired by the owners of the affected system.

7
8 In addition, the Ordinance allows for an exemption from mandatory hook-up if
9 connection to the central wastewater system imposes an undue financial hardship if
10 the connection is made within the time period as specified in the Ordinance.

11
12 Moreover, the Ordinance also states that the Board of County Commissioners shall
13 be the final administrative decision-making body with respect to all issues relating to
14 mandatory sewer connections.

15
16 In summary, the Ordinance does not require mandatory hook-up as suggested by Mr.
17 Reeves. Mandatory hook-up is required only for septic tanks. An on-site disposal
18 system is exempt from mandatory hook-up if it is in compliance with all rules, orders,
19 statues, and/or regulations, relating to the operation and maintenance of the facility.

20 In addition, if mandatory hook-up creates an undue financial hardship, exemption is
21 also allowed. Therefore, contrary to the testimony of NFMU, Buccaneer was not

1 required to hook-up to NFMU. Furthermore, I am not aware of any finding by the
2 Board of County Commissioners requiring Buccaneer to connect to NFMU. As
3 stated above that is the agency which has final administrative decision making
4 authority with respect to mandatory sewer connections. It would appear that NFMU
5 was pressuring Buccaneer into interconnecting with its central wastewater system.

6 **Q. BUT WASN'T THE BUCCANEER WASTEWATER SYSTEM OUT OF**
7 **COMPLIANCE WITH THE DEP RULES AND REGULATIONS?**

8 A. As addressed in greater detail in the testimony of Mr. Biddy, while the Buccaneer
9 wastewater plant was warned that it was out of compliance with some DEP
10 requirements, this in and of itself, would not necessarily require that the system be
11 interconnected with NFMU. It is unclear whether or not the degree to which the
12 plant was out of compliance would fall within the Ordinance's requirement of
13 continuous compliance. Furthermore, the Park Owner could have corrected the
14 problems and continued to operate the plant as it had done in the past. If these
15 problems had been immediately repaired, it is likely that the plant would have met the
16 requirements of the Ordinance and not been subject to the mandatory hook-up
17 requirements.

18 **Q. WHAT ABOUT NFMU'S ARGUMENT THAT THE PLANT'S OPERATING**
19 **PERMIT WAS UP FOR RENEWAL. WOULD THIS REQUIRE AN**
20 **INTERCONNECTION?**

1 A. No. The fact that the plant's permit was up for renewal in November 1998 certainly
2 would not be a reason to require the Buccaneer wastewater system to be
3 interconnected with NFMU. As explained in the testimony of Mr. Bidy, the
4 Buccaneer wastewater operating permit could have been renewed in a routine manner.

5 **Q. WAS THERE AN ORDER FROM THE DEP OR ANY OTHER**
6 **REGULATORY BODY REQUIRING THAT THE BUCCANEER SYSTEM**
7 **BE INTERCONNECTED WITH NFMU?**

8 A. No. There was no "Order" from the DEP or any other regulatory body requiring that
9 the system be interconnected with NFMU. In fact, when asked by the Staff to provide
10 a copy of the DEP Consent Order which required that Buccaneer connect to NFMU,
11 counsel for NFMU could produce no such Consent Order. Instead, he explained in
12 a letter to the Staff, dated December 9, 1998, that the DEP sent the Park Owner a
13 PROPOSED Consent Order, which was never signed by the Park Owner. According
14 to the letter sent to the Staff, the Park Owner did not sign the Consent Order "for fear
15 that it would appear as if it was consenting to the DEP action, which would have
16 possibly had an adverse effect in its actions under Chapter 723, Florida Statutes, for
17 passing through the costs to the park residents."

18 **Q. EARLIER YOU MENTIONED THAT IT APPEARED AS THOUGH NFMU**
19 **WAS PRESSURING BUCCANEER INTO INTERCONNECTING WITH ITS**
20 **SYSTEM. WOULD YOU PLEASE EXPLAIN?**

1 A. Yes. On at least three occasions, on November 18, 1996, on November 19, 1997 and
2 on July 7, 1998, counsel for NFMU sent letters to Buccaneer, indicating that sewer
3 service was available and that Lee County Ordinance 91-01, required Buccaneer to
4 interconnect. The letter dated November 18, 1996, states that “on several occasions
5 we have advised you, on behalf of our client, North Fort Myers Utility, Inc.
6 (“NFMU”) that central sanitary sewer service is available to the Buccaneer Village
7 Community.... The letter continues indicating that Buccaneer “had one year from that
8 date [November 18, 1996] of Notice of Service Availability from the central system
9 (NFMU) to interconnect.” The letter continues suggesting the cost and lead time to
10 renew the plant’s operating permit is substantial and that the plant can not pass certain
11 tests. The letter dated July 7, 1998 goes so far as to state that Buccaneer is in default
12 of the Ordinance.

13
14 As explained above, the Ordinance did not require that Buccaneer hook-up to a
15 central sewer system. While it might be reasonable for NFMU to let Buccaneer know
16 that service was available when needed, it certainly was not NFMU’s place to
17 effectively tell Buccaneer that it was in default of the Ordinance. The only entity that
18 can make that determination was the Lee County Board of Commissioners.

19
20 In addition to letters sent to Buccaneer by counsel for NFMU, in a letter to the
21 residents of Buccaneer, the Park Owner told the residents that NFMU threatened

1 legal action if Buccaneer did not interconnect. The letter stated: "NFMU made clear
2 to MHC that it would pursue legal action if necessary to force the connection of the
3 community to the NFMU system, and that NFMU would contact the applicable
4 governmental agencies if necessary to oppose the continued operation of the on-site
5 plant." [January 13, 1999 letter to All Resident of Buccaneer Estates.]

6
7 The objective facts of the letters from NFMU, and the portrayal of what NFMU was
8 telling Buccaneer in the letter from the Park Owner to the residents strongly suggests
9 that NFMU was pressuring Buccaneer to pursue the course of action that best suited
10 its financial needs, not those of the residents of Buccaneer.

11 **Q. WHAT FINANCIAL GAIN WOULD NFMU OBTAIN FROM SERVING THE**
12 **BUCCANEER RESIDENTS AND OWNING THE COLLECTION SYSTEM?**

13 **A.** NFMU's will benefit by gaining the customers of Buccaneer, collecting monthly base
14 facility charges of \$10.98 and gallon charges of \$3.98 per 1,000 gallons and at the
15 time of the interconnection collecting \$448,602 in service availability charges. The
16 annual revenue that NFMU stands to gain is approximately \$359,814, assuming usage
17 of 5,000 gallons per month. Because NFMU's treatment plant has substantial
18 amounts of excess capacity, it can essentially serve these customers with relatively
19 little cost increase. Only those costs that vary with consumption would increase as
20 a result of serving these customers. Consequently, a relatively large portion of the
21 revenue earned from these customer will flow to the bottom line of NFMU's financial

1 statements. Thus, there was clearly a financial benefit to NFMU in forcing Buccaneer
2 to interconnect to its system.

3 **Q. DO YOU BELIEVE THE COMMISSION SHOULD GRANT NFMU'S**
4 **REQUEST TO COLLECT SERVICE AVAILABILITY FEES FROM THE**
5 **CUSTOMERS OF BUCCANEER?**

6 A. No. These service availability fees have already been paid by the Park Owner.
7 Whether or not these fees can be collected from the customers of Buccaneer pursuant
8 to Chapter 723, Florida Statutes, should be decided in the Courts not by the
9 Commission. The Park Owner prematurely dismantled the plant prior to NFMU's
10 receiving permission from the Commission to interconnect with Buccaneer or to serve
11 this territory. NFMU and the Park Owner appear to have created a contrived
12 mechanism for collecting service availability fees from the customers of Buccaneer.

13
14 The Commission should not endorse this behavior by letting the Park Owner off the
15 hook for entering into this agreement with NFMU and prematurely dismantling the
16 wastewater treatment plant. Likewise, the Commission should not reward NFMU for
17 pressuring the Park Owner to interconnect with NFMU, prior to obtaining approval
18 from the Commission that it was in the public interest to amend its certificate to
19 include the Buccaneer service territory. Had the Park Owner and NFMU followed
20 the appropriate procedures, the customers of Buccaneer would have had a voice in
21 any dismantlement and a more informed decision could have been made as to what

1 course of action would have best represented the interests of the customers of
2 Buccaneer. Unfortunately, due to the actions of the Park Owner and NFMU, the
3 viability of making improvements to the wastewater plant and making the necessary
4 modifications to correct the infiltration and inflow problems so that customers could
5 maintain the status quo has been greatly reduced. The actions of NFMU and the Park
6 Owner effectively usurped the ability of the customers to have an informed voice in
7 what actions would best serve their interests. The Commission should not reward the
8 actions of NFMU and the Park Owner by requiring the customers of Buccaneer to
9 pay connection charges that have already been paid, nor require the customers to pay
10 more than 400% more for their monthly wastewater service.

11 **Q. SHOULD THE COMMISSION GRANT NFMU'S REQUEST TO CHARGE**
12 **THE CUSTOMERS OF BUCCANEER THE TARIFFED BASE FACILITY**
13 **CHARGE AND GALLON CHARGES OF NFMU?**

14 **A.** No. NFMU's request to charge customers approximately \$30.88 per month for
15 wastewater service would result in a rate increase of 409%. There are options for the
16 customers that should result in overall lower rates than those contained in NFMU's
17 tariffs. As discussed in the testimony of Mr. Bidy, the Park Owner could become
18 a bulk customers which should produce rates lower than NFMU's tarified residential
19 rates. Alternatively, the Buccaneer Homeowner's Association could obtain or even
20 purchase the collection system from the Park Owner and become a bulk customer of
21 NFMU. This option, like the former, should produce rates lower than NFMU's

1 tariffed residential rates. The Commission should reject NFMU's request, and order
2 an option which produces the lowest rates to customers with quality service.

3 **Q. DOES THIS COMPLETE YOUR TESTIMONY PREFILED ON JUNE 21,**
4 **1999?**

5 **A. Yes, it does.**

6

APPENDIX

OF

KIMBERLY H. DISMUKES

1 APPENDIX I
2 QUALIFICATIONS
3

4 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

5 A. I graduated from Florida State University with a Bachelor of Science degree in
6 Finance in March, 1979. I received an M.B.A. degree with a specialization in Finance
7 from Florida State University in April, 1984.

8 **Q. WOULD YOU PLEASE DESCRIBE YOUR EMPLOYMENT HISTORY IN
9 THE FIELD OF PUBLIC UTILITY REGULATION?**

10 A. In March of 1979 I joined Ben Johnson Associates, Inc., a consulting firm specializing
11 in the field of public utility regulation. While at Ben Johnson Associates, I held the
12 following positions: Research Analyst from March 1979 until May 1980; Senior
13 Research Analyst from June 1980 until May 1981; Research Consultant from June
14 1981 until May 1983; Senior Research Consultant from June 1983 until May 1985;
15 and Vice President from June 1985 until April 1992. In May 1992, I joined the
16 Florida Public Counsel's Office, as a Legislative Analyst III. In July 1994 I was
17 promoted to a Senior Legislative Analyst. In July 1995 I started my own consulting
18 practice in the field of public utility regulation.

19 **Q. WOULD YOU PLEASE DESCRIBE THE TYPES OF WORK THAT YOU
20 HAVE PERFORMED IN THE FIELD OF PUBLIC UTILITY REGULATION?**

1 A. Yes. My duties have ranged from analyzing specific issues in a rate proceeding to
2 managing the work effort of a large staff in rate proceedings. I have prepared
3 testimony, interrogatories and production of documents, assisted with the preparation
4 of cross-examination, and assisted counsel with the preparation of briefs. Since 1979,
5 I have been actively involved in more than 170 regulatory proceedings throughout the
6 United States.

7 I have analyzed cost of capital and rate of return issues, revenue requirement
8 issues, public policy issues, market restructuring issues, and rate design issues,
9 involving telephone, electric, gas, water and wastewater, and railroad companies.

10 In the area of cost of capital, I have analyzed the following parent companies:
11 American Electric Power Company, American Telephone and Telegraph Company,
12 American Water Works, Inc., Ameritech, Inc., CMS Energy, Inc., Columbia Gas
13 System, Inc., Continental Telecom, Inc., GTE Corporation, Northeast Utilities,
14 Pacific Telecom, Inc., Southwestern Bell Corporation, United Telecom, Inc., and U.S.
15 West. I have also analyzed individual companies like Connecticut Natural Gas
16 Corporation, Duke Power Company, Idaho Power Company, Kentucky Utilities
17 Company, Southern New England Telephone Company, and Washington Water
18 Power Company.

19 **Q. HAVE YOU PREVIOUSLY ASSISTED IN THE PREPARATION OF**
20 **TESTIMONY CONCERNING REVENUE REQUIREMENTS?**

1 A. Yes. I have assisted on numerous occasions in the preparation of testimony on a wide
2 range of subjects related to the determination of utilities' revenue requirements and
3 related issues.

4 I have assisted in the preparation of testimony and exhibits concerning the
5 following issues: abandoned project costs, accounting adjustments, affiliate
6 transactions, allowance for funds used during construction, attrition, cash flow
7 analysis, conservation expenses and cost-effectiveness, construction monitoring,
8 construction work in progress, contingent capacity sales, cost allocations, decoupling
9 revenues from profits, cross-subsidization, demand-side management, depreciation
10 methods, divestiture, excess capacity, feasibility studies, financial integrity, financial
11 planning, gains on sales, incentive regulation, infiltration and inflow, jurisdictional
12 allocations, non-utility investments, fuel projections, margin reserve, mergers and
13 acquisitions, pro forma adjustments, projected test years, prudence, tax effects of
14 interest, working capital, off-system sales, reserve margin, royalty fees, separations,
15 settlements, used and useful, weather normalization, and resource planning.

16 Companies that I have analyzed include: Alascom, Inc. (Alaska), Arizona
17 Public Service Company, Arvig Telephone Company, AT&T Communications of the
18 Southwest (Texas), Blue Earth Valley Telephone Company (Minnesota), Bridgewater
19 Telephone Company (Minnesota), Carolina Power and Light Company, Central
20 Maine Power Company, Central Power and Light Company (Texas), Central
21 Telephone Company (Missouri and Nevada), Consumers Power Company

1 (Michigan), C&P Telephone Company of Virginia, Continental Telephone Company
2 (Nevada), C&P Telephone of West Virginia, Connecticut Light and Power Company,
3 Danube Telephone Company (Minnesota), Duke Power Company, East Otter Tail
4 Telephone Company (Minnesota), Easton Telephone Company (Minnesota), Eckles
5 Telephone Company (Minnesota), El Paso Electric Company (Texas), Florida Cities
6 Water Company (North Fort Myers, South Fort Myers and Barefoot Bay Divisions),
7 General Telephone Company of Florida, Georgia Power Company, Jasmine Lakes
8 Utilities, Inc. (Florida), Kentucky Power Company, Kentucky Utilities Company,
9 KMP Telephone Company (Minnesota), Idaho Power Company, Oklahoma Gas and
10 Electric Company (Arkansas), Kansas Gas & Electric Company (Missouri), Kansas
11 Power and Light Company (Missouri), Lehigh Utilities, Inc. (Florida), Mad Hatter
12 Utilities, Inc. (Florida), Mankato Citizens Telephone Company (Minnesota), Michigan
13 Bell Telephone Company, Mid-Communications Telephone Company (Minnesota),
14 Mid-State Telephone Company (Minnesota), Mountain States Telephone and
15 Telegraph Company (Arizona and Utah), North Fort Myers Utilities, Inc.,
16 Northwestern Bell Telephone Company (Minnesota), Potomac Electric Power
17 Company, Public Service Company of Colorado, Puget Sound Power & Light
18 Company (Washington), Sanlando Utilities Corporation (Florida), Sierra Pacific
19 Power Company (Nevada), South Central Bell Telephone Company (Kentucky),
20 Southern Union Gas Company (Texas), Southern Bell Telephone & Telegraph
21 Company (Florida, Georgia, and North Carolina), Southern States Utilities, Inc.

1 (Florida), Southern Union Gas Company (Texas), Southwestern Bell Telephone
2 Company (Oklahoma, Missouri, and Texas), St. George Island Utility, Ltd., Tampa
3 Electric Company, Texas-New Mexico Power Company, Tucson Electric Power
4 Company, Twin Valley-Ulen Telephone Company (Minnesota), United Telephone
5 Company of Florida, Virginia Electric and Power Company, Washington Water
6 Power Company, and Wisconsin Electric Power Company.

7 **Q. WHAT EXPERIENCE DO YOU HAVE IN RATE DESIGN ISSUES?**

8 A. My work in this area has primarily focused on issues related to costing. For example,
9 I have assisted in the preparation of class cost-of-service studies concerning Arkansas
10 Energy Resources, Cascade Natural Gas Corporation, El Paso Electric Company,
11 Potomac Electric Power Company, Texas-New Mexico Power Company, and
12 Southern Union Gas Company. I have also examined the issue of avoided costs, both
13 as it applies to electric utilities and as it applies to telephone utilities. I have also
14 evaluated the issue of service availability fees, reuse rates, capacity charges, and
15 conservation rates as they apply to water and wastewater utilities.

16 **Q. HAVE YOU TESTIFIED BEFORE REGULATORY AGENCIES?**

17 A. Yes. I have testified before the Arizona Corporation Commission, the Connecticut
18 Department of Public Utility Control, the Florida Public Service Commission, the
19 Georgia Public Service Commission, Louisiana Public Service Commission, the
20 Missouri Public Service Commission, the Public Utility Commission of Texas, and the
21 Washington Utilities and Transportation Commission. My testimony dealt with

1 revenue requirement, financial, policy, rate design, and cost study issues concerning
2 AT&T Communications of Southwest (Texas), Cascade Natural Gas Corporation
3 (Washington), Central Power and Light Company (Texas), Connecticut Light and
4 Power Company, El Paso Electric Company (Texas), Florida Cities Water Company,
5 Kansas Gas & Electric Company (Missouri), Kansas Power and Light Company
6 (Missouri), Houston Lighting & Power Company (Texas), Lake Arrowhead Village,
7 Inc. (Florida), Lehigh Utilities, Inc. (Florida) Jasmine Lakes Utilities Corporation
8 (Florida), Mad Hatter Utilities, Inc. (Florida), Marco Island Utilities, Inc. (Florida),
9 Mountain States Telephone and Telegraph Company (Arizona), North Fort Myers
10 Utilities, Inc. (Florida), Southern Bell Telephone and Telegraph Company (Florida,
11 Louisiana and Georgia), Southern States Utilities, Inc. (Florida), St. George Island
12 Utilities Company, Ltd. (Florida), Puget Sound Power & Light Company
13 (Washington), and Texas Utilities Electric Company.

14 I have also testified before the Public Utility Regulation Board of El Paso,
15 concerning the development of class cost-of-service studies and the recovery and
16 allocation of the corporate overhead costs of Southern Union Gas Company and
17 before the National Association of Securities Dealers concerning the market value of
18 utility bonds purchased in the wholesale market.

19 **Q. HAVE YOU BEEN ACCEPTED AS AN EXPERT IN THESE**
20 **JURISDICTIONS?**

21 **A. Yes.**

1 Q. HAVE YOU PUBLISHED ANY ARTICLES IN THE FIELD OF PUBLIC
2 UTILITY REGULATION?

3 A. Yes, I have published two articles: "Affiliate Transactions: What the Rules Don't
4 Say", Public Utilities Fortnightly, August 1, 1994 and "Electric M&A: A Regulator's
5 Guide" Public Utilities Fortnightly, January 1, 1996.

6 Q. DO YOU BELONG TO ANY PROFESSIONAL ORGANIZATIONS?

7 A. Yes. I am a member of the Eastern Finance Association, the Financial Management
8 Association, the Southern Finance Association, the Southwestern Finance
9 Association, and the Florida and American Water Association.

10

11

12

13

**CERTIFICATE OF SERVICE
DOCKET NO. 981781-SU**

I HEREBY CERTIFY that a correct copy of the foregoing Direct Testimony Kimberly H. Dismukes, has been furnished by U.S. Mail or hand delivery* to the following parties on this 21st day of June, 1999.

Martin S. Friedman, Esquire
Rose, Sundstrom & Bentley, LLP
2548 Blairstone Pines Drive
Tallahassee, FL 32301

Jennifer Brubaker, Esquire*
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Mr. Donald Gill
674 Brigantine Blvd.
North Ft. Myers, FL 33917

Mr. Joseph Devine
688 Brigantine Blvd.
North Ft. Myers, FL 33917

Mr. Ronald Ludington
509 Avanti Way Blvd.
North Ft. Myers, FL 33917



Stephen C. Reilly
Associate Public Counsel