1	REFORE THE			
2	BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION			
3		DOCKET NO. 020071-WS		
4	In the Matter	of		
5	APPLICATION FOR RAT	E INCREASE IN		
6	MARION, ORANGE, PAS AND SEMINOLE COUNTI	CU, PINELLAS, ES BY		
7	UTILITIES, INC. OF	FLORIDA.		
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12	PROCEEDINGS:	OCALA, FLORIDA, SERVICE HEARING		
13				
14	BEFORE:	COMMISSIONER J. TERRY DEASON COMMISSIONER BRAULIO L. BAEZ		
15		COMMISSIONER RUDOLPH "RUDY" BRADLEY		
16	DATE:	Thunsday May 22 2002		
17	DATE:	Thursday, May 22, 2003		
18	TIME:	Commenced at 6:00 p.m. Concluded at 6:33 p.m.		
19	Concluded at 6:33 p.m.			
20	PLACE:	Golden Hills Golf & Turf Club		
21		4782 NW 80th Avenue Ocala, Florida		
22	DEDODTED DV	TRICIA D-MARTE DRD		
23	REPORTED BY:	TRICIA DeMARTE, RPR Official FPSC Reporter		
24		(850) 413-6736		
25				
		DOCUMENT REMAINS -		
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1	APPEARANCES:		
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4	Springs, Florida 32701, appearing on behalf of Utilities, Inc.		
5	of Florida.		
6	STEPHEN C. REILLY, Esquire, Office of Public Counsel,		
7	c/o The Florida Legislature, 111 W. Madison Street, #812,		
8	Tallahassee, Florida, 32399-1400, appearing on behalf of the		
9	Citizens of the State of Florida.		
10	LORENA HOLLEY, Esquire, FPSC General Counsel's		
11	Office, 2540 Shumard Oak Boulevard, Tallahassee, Florida		
12	32399-0850, appearing on behalf of the Commission Staff.		
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	FLORIDA PUBLIC	SERVICE COMMISSION	

PROCEEDINGS

COMMISSIONER DEASON: Call the hearing to order. Could I have the notice read, please.

MS. HOLLEY: Pursuant to notice of customer service hearings, this time and place has been scheduled to receive customer testimony in Docket Number 020071-WS, application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. August 20th through the 22nd has been reserved for the technical portion of this hearing to be held in Tallahassee.

COMMISSIONER DEASON: Thank you. Take appearances.

MR. REILLY: Steve Reilly with the Office of Public Counsel on behalf of the ratepayers.

MR. FRIEDMAN: Martin Friedman of the law firm of Rose, Sundstrom & Bentley on behalf of Utilities, Inc. of Florida.

MS. HOLLEY: Lorena Holley on behalf of the Public Service Commission.

COMMISSIONER DEASON: Mr. Willis, will you introduce yourself as well, please.

MR. WILLIS: Marshall Willis on behalf of the technical staff of the Florida Public Service Commission.

COMMISSIONER DEASON: And if you would take the opportunity to introduce your staff accompanying you.

MR. WILLIS: Also with me, if I can get you to stand

up, Mr. Jan Kyle, on the end over here, one of our accountants; Mr. Tom Walden, right directly in front of me here, one of our engineers; Ms. Bridget Hoyle, who introduced the -- or handed you your brochures when you walked in tonight, is with our consumer affairs division.

COMMISSIONER DEASON: Thank you. Let me take this opportunity to welcome everyone. Let me introduce myself. My name is Terry Deason; I'm a member of the Commission. I'll be conducting the hearing this evening. Seated to my immediate right is Commissioner Braulio Baez and to my left is Commissioner Rudy Bradley. We're the panel of Commissioners which will be hearing this matter.

We appreciate you being with us this evening even though we do have some inclement weather. It is important that we hear from customers and that's the reason we've come to the service area to facilitate the testimony you're going to be giving this evening.

I want to -- first of all, let me ask Public Counsel's Office, do you have an opening statement you wish to make?

MR. REILLY: I can make one, a brief one.

COMMISSIONER DEASON: Briefly, sure.

MR. REILLY: Okay. As I said, I'm with the Office of Public Counsel; we're located in Tallahassee, Florida. When you have a rate case like this, the regulatory scheme permits

the utility to recover its reasonable rate case expense. So the consultants it hires, the attorneys it hires to put on its case to try to justify the rate increase, that part of that expense that the PSC determines is reasonable is collected in the revenue requirement and you, in effect, pay for those costs.

To help keep the burden down on ratepayers, the Legislature fully funds our office to represent you, to resist the rate increase, to identify the issues, and to try to do everything we can to make sure that the increase that is being requested is fully and totally justified, so that's -- so you do not have to bear the cost of the representation against the case that's being made. And just to assure you, our office has been involved since this case was filed. We have hired consultants. They have been developing issues. We have engaged in a fair amount of discovery already. And I won't go into all those issues right now, but rest assured, they are being developed. And we will be filing prefiled testimony by June 2nd of this year, and then the process continues until we go back to Tallahassee for a technical hearing that is scheduled for three days in August.

So we really invite the comments that you are going to make today. And those of you who wish copies of our testimony we're going to file on June 2nd, we'll be happy to furnish that to you. Also, customers who wish to keep up with

this case and be formally notified of everything that comes out of the PSC, including the staff's recommendation which is issued prior to the agenda conference that actually decides the case, please feel free to sign up for that before you leave here because that will really keep you in the loop. So I really appreciate again you coming out in this bad weather and look forward to your comments.

COMMISSIONER DEASON: Thank you. Mr. Friedman, do you have any comments you wish to make?

MR. FRIEDMAN: No, thank you.

COMMISSIONER DEASON: Okay. Thank you. Once again, welcome. This is the third of a series of hearings we're conducting in this case. Yesterday, we were in Altamonte Springs, this morning in New Port Richey and, of course, here this evening in Ocala.

As Mr. Reilly indicated, this is the opportunity for customers to let their views be known to the Commission concerning this pending application. We're particularly interested in your evaluation of the quality of service which is provided by this utility. We also are interested in any comments you may have concerning the pending -- the requested rate increase. Anything concerning the rate structure or the operations of the utility which you think should be brought to the attention of the Commission, we want you to avail yourselves of that opportunity.

I want to take just a moment to briefly go over the procedure we're going to follow for the remainder of the hearing this evening. Mr. Reilly will be calling members of the public who have signed up to testify. When he calls your name, we ask that you come to the podium directly in front of me; if you would, begin by giving us your name and your address. And if you think it would be helpful to the court reporter, you may wish to spell your name so it would be accurate in the record.

This is an official hearing of the Commission. It is being recorded. The evidence which we take at this proceeding will become part of the record and can and will be relied upon by the Commission in making its ultimate decision in this case. And this will be done in conjunction with the technical hearings which will be held in Tallahassee as well, which Mr. Reilly also alluded to.

As I indicated, this is an official hearing. I will ask all of those members of the public who wish to testify to be put under oath. This is standard procedure, and it is required for your testimony to become part of the record. We ask that at the conclusion of your statement to wait, there may be some clarifying questions. And we also want to advise those members of the public who may not wish to make an oral presentation here this evening but you still wish to communicate with the Commission, if you will look at the green

1	"Special Report" which was handed to you this evening, the last	
2	page of that report is designed to be detached and allow you to	
3	make written comments to the Commission. You can fold that and	
4	send it to the Commission. Also, on the very first page of the	
5	"Special Report," there is a toll-free number which you may	
6	call the Commission. There also is a means to contact the	
7	Commission through the Internet. So please feel free to avail	
8	yourself of those opportunities if you see fit.	
9	At this time I'm going to ask all members of the	
10	public who have signed up and wish to testify to please stand	
11	and raise your right hand.	
12	(Witnesses collectively sworn.)	
13	COMMISSIONER DEASON: Thank you. Please be seated.	
14	Mr. Reilly, you may call your first witness.	
15	MR. REILLY: Charles Murray.	
16	CHARLES MURRAY	
17	was called as a witness on behalf of the Citizens of the State	
18	of Florida and, having been duly sworn, testified as follows:	
19	DIRECT STATEMENT	
20	MR. MURRAY: I've got here an easel pad. I	
21	first wish to say that	
22	COMMISSIONER DEASON: Sir does that microphone	
23	detach, Mr. Reilly, so he can stand by his easel and	
24	MR. MURRAY: My name is Charles Murray, spelled	

M-U-R-R-A-Y, 7632 Northwest 56th Place, Ocala, Florida

34482-2022. I am a spokesman for the consumers in this subdivision and adjoining areas whose water supply is provided by Utilities, Inc./Nuon NV, their parent company, I believe. You will see the relevance of that later in my presentation.

I wish to base our position to this rate increase -sorry for the back -- to the rate increase in the first place
because our rates are not competitive now. When I say
"actual," those are the rates, the temporary rates which are
subject to increase which is subject to refund if it's not
granted by the Commissioners.

The water meter, although we've got one-inch water meters here, I had to base the -- had to prorate the rates because the competitive water system, Marion County Utilities, has three-quarter-inch meters, and I accepted the three-quarter-inch rate which has been granted. We now pay 22 percent more than Marion Utilities, Inc. customers. The full increase that is proposed -- under the full increase that is proposed, we will be paying 31 percent more, 31 percent more than the neighboring water system.

When we come to the price per 1,000 gallons, you will see that the 225 which is the interim rate increase and the 248 -- excuse me, let me say that again. The \$2.25 interim rate increase and the \$2.48 final requested rate increase are way above the rates in this area. Marion County Utilities, Inc. is -- well, let's see how much Utilities, Inc. is higher:

1 | 50 percent higher than Marion County Utilities and it's going 2 | to be 65 percent higher if they are granted this final rate 3 | increase.

Now, when it comes to a comparison against Marion County Utilities, another system in the vicinity, for the first 6,000 gallons, the current rate here is going to be 201 percent higher, 201 percent higher and 221 percent higher under the requested final rate increase. When we go above 6,000 gallons, we've still got our differential of 33 percent higher for Utilities, Inc. and 47 percent higher for the final increase. These are enormous disparities which we do not see any justification for, gentlemen. Now, my source, a phone survey I conducted two days ago, I'm under oath, so these are not fictitious figures.

Now, the next criterion for our objecting to the rate increases are the consumer costs, and rapid inflation, there might be plenty of justification. I'm quoting here from the Star Banner which is a local newspaper. It's a New York Times regional newspaper. Last -- I guess it's last Friday -- last Saturday, it said consumer costs hit an 18-month low. That may have been consumer costs, yet we're being asked to pay 10 percent more than -- excuse me. I have not worked out the -- maybe Utilities, Inc. can tell us how much more we are asked to pay than we have been and we were paying a month ago.

I have a second quotation from the Wall Street

Journal last Friday. The drop in producer prices led by falling prices for energy and water comes under energy as a group for the producer price index. Cars and tobacco, which are in a different category, highlights a possibility, and the U.S. is flirting with economy-wide deflation. As I said, that was from the Wall Street Journal last Friday.

Now, the history of rate increases. We have been plagued by rate increases in this subdivision. In 1994
Utilities, Inc. saddled us with a rate increase of 73 percent.
They asked for 92 percent. I was the person on behalf of the consumers with the assistance of the Office of Public Counsel to object to it, and it was reduced from 92 percent to 73 percent. Since then Utilities, Inc. has -- I can't tell you had how many, but in theory, they can have twice-a-year adjustments without a hearing of this type. And each of these twice-a-year adjustments has ranged from three-quarters percent, .75 percent, to 2 percent. Now, cumulatively these increases amount to quite a hefty hunk.

Now, I've written this down here that I would ask the Commissioners to compare these increases to the less than 1 percent typical return on money market funds, which I'm getting from this morning's Wall Street Journal. And I also want to add that most people who live in these subdivisions are living on fixed incomes.

Now, I've got a couple of questions if I may

1	respectfully ask them. I think Mr. Reilly has answered one.	
2	Who pays for the rate case expense? I think Mr. Reilly has	
3	answered that, so I withdraw that question. It's we pay for	
4	the rate case expense.	
5	The next one is return on this reflects on the	
6	return of investment. This Utilities, Inc. is owned by an	
7	Amsterdam, Netherlands corporation. How much has the dollar	
8	dropped in value versus the Euro since Nuon NV acquired	
9	Utilities, Inc. last year? We hope that Utilities, Inc. will	
10	not be able to claim insufficient return of investment because	
11	of the currency situation, whereby the Euro has risen and a	
12	dollar has dropped. I think the figure is roughly 17 percent,	
13	but I don't have the exact date when Utilities, Inc. was	
14	acquired by this Amsterdam, Netherlands firm.	
15	And that is the end of my presentation. Thank you	
16	very much for having me up.	
17	And thank you, sir.	
18	MR. REILLY: We thank you.	
19	COMMISSIONER DEASON: Thank you, Mr. Murray. There	
20	may be some questions.	
21	Mr. Reilly, do you have any further questions?	
22	MR. REILLY: No questions.	
23	COMMISSIONER DEASON: Mr. Friedman, do you have any	
24	questions?	

MR. FRIEDMAN: I don't have any questions.

COMMISSIONER DEASON: Staff, any questions?

MS. HOLLEY: No questions.

COMMISSIONER DEASON: Sir, if I may take a moment to, first of all, thank you for your testimony. It was very well organized and researched. You're to be commended for that. We appreciate you taking all of the effort. I would like to take this opportunity to attempt to answer -- or maybe not answer but shed some light on your second question.

The fluctuations in international money markets, while it affects some things, one thing it does not affect is the amount of return that we allow this utility.

MR. MURRAY: Thank you.

COMMISSIONER DEASON: We're an original cost jurisdiction and what that means is that we look at the dollars that are -- have been historically invested in this utility, and we allow a return on those dollars, not inflated dollars, deflated dollars, or in comparison to Euro dollars. It's American dollars that were originally invested in this utility. We look at that. We recognize the amount of depreciation that has occurred over the years. We deduct out the depreciation in coming up with the net rate base. We also account for any contributions in aid of construction that customers may have provided when the utility was being constructed; that also is deducted out of the net rate base. So while fluctuations in international money markets certainly is an important matter,

it's not something that really affects our ratemaking.
THE WITNESS: Thank you, Commissioner Deason.

COMMISSIONER DEASON: Thank you.

(Witness excused.)

COMMISSIONER DEASON: You may call your next witness.

MR. REILLY: John Robinson.

JOHN ROBINSON

was called as a witness on behalf of the Citizens of the State of Florida and, having been duly sworn, testified as follows:

DIRECT STATEMENT

MR. ROBINSON: My name is John Robinson. I live right over here, 8180 Northwest 43rd Lane, right here in the forest. I'd like to absolutely give you all my support for what Mr. Murray has presented. I would also like to bring out a few other points, I believe.

Your comments, Mr. Deason, about how you arrive at rates and the return of the investments, et cetera, et cetera, are commendable, but I hope that's not all inclusive. The reason I say that is that it would seem to me that you have other factors that must be considered, which you may be doing, I don't know, such as the amount of customers they have. This facility has been picking up a steady amount of new customers due to the growth factor in this area. I cannot give you specific figures, but there are probably -- I've seen maybe 8 to 10, maybe 15, houses per year which is coming on-line.

Now, it would appear to me that if those figures are not involved, you are getting a lot more moneys coming in, and I don't believe, in my personal opinion, that those moneys coming in are increasing their cost of operation proportionally. I don't believe that could possibly be. I assume -- I hope I'm making my point on that.

The other thing is that you -- we, as Mr. Murray has mentioned, have experienced very significant percentage increases in the bills that we have received over the last five, ten years, whatever you want to take. It would seem to me that you have a monopoly here, obviously, and that monopoly can only be controlled by you gentlemen, the Commissioners, if I understand the organization correctly. You have no competition as such. However, your competition, I believe, should be based upon competitive charges in the area from other companies, and I don't know whether you consider that in your considerations, but I think you should.

Mr. Murray has mentioned how much higher we are paying for water as contrasted to other outfits in the area. Why do we pay so much more than anybody else? I don't like the taste of the water, but that's my own personal opinion. I cannot raise that as a complaint. But I do believe that in today's economy, particularly we're talking about deflation, if you listen to Greenspan and the rest of them, we're not talking about inflation here, God knows, and yet the prices we pay for

water are strongly on the inflationary side and have been for quite a while. Now, if you're going to tie these people down to giving realistic prices based upon the economy and based upon the indirect competition -- by "indirect," I mean other areas around, obviously not directly to us -- it seems to me that it's about time that this outfit faced up to the facts, as many industries have in this country, that they've got to cut expenses. They've got to cut their prices, get things down to a realistic basis. I see no evidence of this in this application from this company now or have I seen it in the past with their predecessors that owned the company in the past.

I believe that you gentlemen should start cracking down and saying, we want efficiency for the thing. You're getting more customers, whatever the normal growth is here. They're getting more gross dollars coming in every year, and how is that being reflected? It's being reflected by saying, well, we need more money. We need more money at a rate over the last few years that has far exceeded net inflation.

When do we stop? This is what I'm asking you gentlemen to look at. I must say it's very commendable to say you want a return on investment, but that's not the only consideration. By far, it's not the only one. You've got the economy, the deflationary costs, everything else, and I would sincerely request that you gentlemen bring all these things into the factor, and let's get this thing down to earth and get

us somewhere's near competitive prices with the ensuing areas 1 2 in the general Marion County location. 3 Thank you. COMMISSIONER DEASON: Thank you. Can you wait for 4 5 .just a moment? 6 Mr. Reilly, any further follow-up? 7 MR. REILLY: Thank you, Mr. Robinson. No questions. 8 COMMISSIONER DEASON: Mr. Friedman, any questions? 9 MR. FRIEDMAN: No questions. 10 COMMISSIONER DEASON: Staff, any questions? 11 MS. HOLLEY: No questions. 12 13 COMMISSIONER DEASON: Sir, thank you for your comments. I appreciate that. Just let me say that you've 14 15 raised some very valid points. These are matters which we 16 routinely explore in a rate proceeding. I wouldn't want you to 17 have the misunderstanding that in my explanation concerning 18 investment and rate base that that was all that we look at. 19 That was just an area which could be impacted conceivably by 20 differences in international money market -- I mean, money 21 rates, and I just wanted to set the record straight that it 22 doesn't apply for investment and return on investment. 23 I appreciate it. MR. ROBINSON: 24

FLORIDA PUBLIC SERVICE COMMISSION

of the utility, the level of expenses they incur, whether these

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COMMISSIONER DEASON: But we will look at operations

expenses are prudently incurred. We'll also look at allocations of cost from the parent company to their operating company. We will look at trends in customer growth and changes in revenues for the company.

There's -- as Mr. Reilly indicated, his Public Counsel's Office, which represents consumers, they will be retaining a number of expert witnesses who will be providing detailed testimony on these and other type issues. We'll be sponsoring testimony -- I believe we'll be sponsoring testimony of an auditor from our staff. I don't know if we'll have any other in-house experts testifying or not; sometimes we do. It depends on the nature of the case. And of course, the utility, they will be providing their own experts as well. So these issues will be thoroughly explored, I want you to be assured of that. Now, what the outcome is going to be, I can't say now, but I can assure you that the issues will be explored.

MR. ROBINSON: Thank you. I appreciate your comments, and please put it all into the pot. Thank you.

COMMISSIONER DEASON: Thank you, sir.

MR. REILLY: One thing, Mr. Robinson, if I could.

This is not a question but just a response to your comment on expenses. Allocation from the parent company is going to be a very big issue in this case --

MR. ROBINSON: I would hope so.

MR. REILLY: -- and will be thoroughly looked at.

MR. ROBINSON: I would hope so because I think things 1 2 are adjusted to the benefit of the company rather than to 3 actual financial analysis. MR. REILLY: It's emerging as a pretty big issue. 4 5 MR. ROBINSON: It sure is. Thank you. 6 COMMISSIONER DEASON: Thank you, sir. 7 (Witness excused.) 8 COMMISSIONER DEASON: Mr. Reilly. 9 MR. REILLY: That's all we have signed up at this point. We could maybe see if anyone's come in. 10 COMMISSIONER DEASON: Yes, let me inquire. 11 12 Mr. Reilly has just indicated that he's exhausted his list of 13 persons who have signed up to testify. Just let me ask, if there's anyone in the audience that wishes to make a statement, 14 you know, please come forward. There's no reason to be shy. 15 16 I'll just have to put you under oath. This is your 17 opportunity, and I invite you to take advantage of it if you 18 see fit. 19 Let's let the record reflect that there are no other 20 individuals who have come forward at this time. I would 21 encourage you to share this information with your neighbors and 22 if any of -- in fact, I think we probably have sufficient 23 copies that we probably -- if you want to take a few of these 24 green sheets with you and share with your neighbors, perhaps

some of them would like to review this information and send in

the last page. That would be helpful, if they wish to do that. 1 2 I believe this hearing was noticed that we would 3 begin at 6:00, and we would continue until all customers have 4 been heard. That's the notice: correct? 5 MS. HOLLEY: That's correct. 6 COMMISSIONER DEASON: Okay. Let me ask, Mr. Reilly, 7 do you have anything further at this time? 8 MR. REILLY: Nothing further at this time. 9 COMMISSIONER DEASON: Mr. Friedman, do you have anything? 10 MR. FRIEDMAN: Nothing further. 11 12 COMMISSIONER DEASON: Staff? 13 MS. HOLLEY: Nothing further. 14 COMMISSIONER DEASON: Commissioners, anything further at this point? 15 16 COMMISSIONER BRADLEY: No. COMMISSIONER DEASON: Well. let me take this 17 opportunity to thank you for coming out and sharing your 18 thoughts with us. It is important that we hear from customers. 19 We will be conducting further hearings on the technical side of 20 this case in Tallahassee. I think Mr. Reilly has invited any 21 customers to notify him and his office. He will let you know 22 the progress of the case. You can also -- I believe you can 23 access the status of this case via the Internet as well. That 24

will also keep you informed. And by all means, if you have any

questions, please feel free to call Mr. Reilly or our staff. We'll be more than happy to try to assist you in any way that And with that, this hearing is adjourned. we can. (Service Hearing concluded at 6:33 p.m.)

1	STATE OF FLORIDA)
2	: CERTIFICATE OF REPORTER
3	COUNTY OF LEON)
4	I IDICIA DeMARTE RRR Official Commission Reporter do
5	I, TRICIA DeMARTE, RPR, Official Commission Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.
6	
7	IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this
8	transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.
9	I FURTHER CERTIFY that I am not a relative, employee,
10	attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in
11	connected with the action, nor am I financially interested in
12	the action.
13	DATED THIS 2nd DAY OF JUNE, 2003.
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15	Jucia Demarte, RPR TRICIA DEMARIE, RPR
16	FPSC Official Commission Reporter (850) 413-6736
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