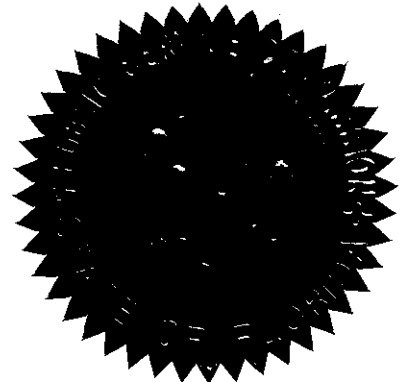


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070414-WS

In the Matter of:

APPLICATION FOR STAFF-ASSISTED RATE
CASE IN POLK COUNTY BY HIDDEN
COVE, LTD.



PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 21

BEFORE: CHAIRMAN MATTHEW M. CARTER, II
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER KATRINA J. McMURRIAN
COMMISSIONER NANCY ARGENZIANO
COMMISSIONER NATHAN A. SKOP

DATE: Tuesday, April 8, 2008

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

REPORTED BY: LINDA BOLES, RPR, CRR
JANE FAUROT, RPR
FPSC Hearings Reporters
(850) 413-6734/(850) 413-6732

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FPSC-COMMISSION CLERK

1 APPEARANCES:

2 MARTIN S. FRIEDMAN, ESQUIRE, appearing on behalf of
3 Hidden Cove, Ltd.

4 CHARLES J. BECK, ESQUIRE, and PATRICIA CHRISTENSEN,
5 ESQUIRE, Office of Public Counsel, appearing on behalf of the
6 Citizens of the State of Florida.

7 RALPH JAEGER, ESQUIRE, MARSHALL WILLIS and JENNIE
8 LINGO, appearing on behalf of the Florida Public Service
9 Commission Staff.

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P R O C E E D I N G S

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2 CHAIRMAN CARTER: Commissioners, we are now on Item
3 21. Is that correct? 21, I believe. You can correct me on
4 that. Item 21. Let's give staff a moment to get set -- let's
5 take a quick two minutes to give staff a chance to switch out,
6 change out. So we'll come back in five.

7 (Recess taken.)

8 Okay. We are on the record and we are on Item 21.
9 And let's give staff a moment to introduce the item to us.
10 Staff, you are recognized.

11 MR. WILLIS: Commissioners, Item 21 is staff's
12 recommendation on an application for a staff-assisted rate case
13 by Hidden Cove.

14 Staff would also like to make a very minor oral
15 modification. If you would turn to Page 23 of the
16 recommendation.

17 CHAIRMAN CARTER: Page 23.

18 MR. WILLIS: Page 23, Issue 11. Staff has a
19 scrivener's error where a sentence and part of another sentence
20 were erroneously left in the recommendation.

21 If you look down to where staff analysis starts, the
22 first full paragraph where it starts, "Staff analysis," the
23 very last sentence of that paragraph should be stricken. It
24 starts, "This is the same methodology for calculating
25 repression adjustments." That sentence should be stricken.

1 CHAIRMAN CARTER: Commissioners, you -- okay. All
2 right. Let's strike that sentence.

3 MR. WILLIS: On the next paragraph, Commissioners --

4 CHAIRMAN CARTER: I wish you would have said that
5 before I read it, but go ahead.

6 MR. WILLIS: It's a small sentence.

7 (Laughter.)

8 CHAIRMAN CARTER: Where are you now?

9 MR. WILLIS: On the next, very next paragraph, the
10 last sentence, the wording in between the parentheses which
11 starts "monthly consumption at 9 kgal," should also be
12 stricken. And that is the oral modification.

13 Commissioners, we also have the Office of Public
14 Counsel here as well as the utility company. Mr. Marty
15 Friedman for the utility company is here to answer questions,
16 and the Office of Public Counsel, Mr. Charlie Beck and
17 Ms. Patricia Merchant.

18 CHAIRMAN CARTER: Let's, let's do this. Before we
19 hear from the parties, let me just ask have you guys, both
20 parties had an opportunity to look at staff's modification?
21 Does that, does that give anybody heartburn or do we need to
22 deal with that before we go into the proceedings? Mr. Beck?

23 MR. BECK: It involves the issue we're going to
24 address, but we can go forward.

25 CHAIRMAN CARTER: We can go forward?

1 Okay. Mr. Friedman, you're recognized.

2 MR. FRIEDMAN: Marty Friedman, the law firm of Rose,
3 Sundstrom & Bentley. Our law firm represents Hidden Cove. And
4 we are, we find the staff recommendation generally acceptable,
5 but would like to reserve an opportunity to address any
6 comments that OPC may raise.

7 CHAIRMAN CARTER: Okay. Mr. Beck.

8 MR. BECK: Thank you, Chairman Carter. I had
9 intended to say good morning, but let me say good afternoon to
10 you.

11 CHAIRMAN CARTER: We were hoping for that, too.

12 (Laughter.)

13 MR. BECK: We have two issues we'd like to address
14 briefly too. I'm going to address those two issues briefly,
15 and then Ms. Merchant is going to talk a little bit about the
16 data.

17 CHAIRMAN CARTER: Excellent.

18 MR. BECK: And the two issues I'm going to raise is
19 first of all the base facility charge. We're going to urge you
20 to follow the guidelines by the Water Management Districts to
21 allocate no more than 40 percent of the revenue requirement to
22 the base facility charge. And the second issue I'm going to
23 ask you to address is consideration of a two-tier rate schedule
24 for usage instead of the one tier that staff has.

25 Commissioners, first with respect to our first issue

1 on the base facility charge, one of the things living in
2 Tallahassee I think that's easy to forget is the severe water
3 shortage that's facing the state. You know, we have wonderful
4 water in Tallahassee. You know, they deliver a great product
5 at very reasonable rates. I think this past weekend when we
6 had just a downpour on Saturday, Sunday I was out in the
7 country and looked at the some of the fields. I mean, it
8 looked like sponges that had just been saturated. It didn't
9 look like there was another drop the fields could take. But
10 notwithstanding that, the state as a whole is not like
11 Tallahassee and there's severe water shortages in many parts of
12 the state. And the staff at Page 34 and 35 of their
13 recommendation I think does an excellent job describing the
14 history of the Water Management District's involvement in this
15 and tells you that even as we speak right now in Polk County
16 where Hidden Cove is located there is a declaration of a severe
17 water shortage there.

18 Now the way the Water Management Districts have
19 suggested -- or one way to deal with the water shortage is to
20 have a rate structure that promotes conservation. And the way
21 they've done this, I think you're all familiar with it, is what
22 portion of the revenue should be allocated to the base facility
23 charge versus gallonage. And those two charges move in
24 opposite directions. The base facility charge is charged to
25 customers whether they use any water at all. But the higher

1 you raise that, then the lower the usage rate can be. And,
2 conversely, if you have a higher usage rate, then you can have
3 a lower base facility charge. And the lower the base facility
4 charge is, the more it promotes water conservation because it
5 sends a signal to customers that usage carries a price, that
6 it's not just unlimited for a fixed rate for all you can have.

7 You know, the Water Management Districts, they can't
8 tell you what to do, but they've suggested that you should
9 allocate no more than 40 percent of the revenue requirement for
10 water to the base facility charge in order to have a rate
11 structure that encourages conservation.

12 Now the staff in their recommendation has proposed a
13 60 percent base facility charge. I'm going to ask you to --
14 what we're proposing is that you not go along with the staff
15 recommendation on that. That we have a severe water shortage;
16 you should recognize that by following the guidelines set forth
17 by the Water Management District.

18 The staff gives as a reason for not following it that
19 if you go with the 40 percent, that will lower the base
20 facility charge compared to what it is today. And I'd submit
21 to you that's just not a reason. In fact, the reason you
22 should go to 40 percent is so that you will lower the base
23 facility charge and correspondingly have higher usage charges
24 to send the right signal to people.

25 The second issue we'd like to direct or address is

1 the tiers of the usage. We've passed out a chart I think that
2 just shows the impact of the repression adjustments that the
3 staff has done. Again, I think they've correctly pointed out
4 that there's a certain level of usage by customers that's not
5 subject to repression, which is price elasticity. If you raise
6 the rates on something, people use less of it. I think that's
7 a well-acknowledged principle. But at certain levels there's
8 an essential amount that people need simply to live. There's a
9 certain minimum amount where people can't go any lower than
10 that because they need it just for their essential living
11 requirements. And that would be -- and the staff has
12 3,000 gallons. I think that's very low, but perhaps, you know,
13 that's like a minimum, I think, for that usage. What we're
14 going to suggest is a rate structure that recognizes that, that
15 you shouldn't apply repression to a certain minimum amount of
16 usage that's available to customers. That if you elect to
17 recognize repression, it should be for the higher levels where
18 it's more elective on the usage such as irrigation but not for
19 the usage people need to live.

20 What the staff has done, and this is shown in our
21 chart, has applied a repression adjustment to all levels of
22 usage. There's a column called pre-repression rates, and
23 you'll see that there's a base facility charge on that. And
24 that would be what the staff's recommendation would have been
25 without any repression adjustment, and it's \$9.34 per month for

1 a base facility, \$1.32 for each thousand gallons of usage.

2 With the repression adjustment, and they've applied
3 that to every bit of usage, the usage goes up to \$2.14 per
4 thousand gallons compared to the \$1.32. The base facility
5 charge goes down slightly from \$9.34 to \$8.59. We don't think
6 you should be applying a repression adjustment to the minimum
7 amount of usage, and that's what -- and the bare minimum we
8 think would be 3,000 gallons. If you were to have a two-tier
9 rate structure and if you wish to have repression into the
10 rates, only do it at the higher rates. By having it at a lower
11 rate you encourage, first of all, you encourage conservation
12 because you have a certain amount that people can use and they
13 only get hit with a higher rate above that. So we think that
14 would be a better solution than applying it to all gallons like
15 they have here. And in essence by doing that, not only is it
16 pro conservation, but in one sense it's like a Lifeline rate
17 for water and wastewater. They allow people that certain
18 amount at a low cost and only charge the higher repression
19 rates for the higher levels. So that's our two proposals. I
20 think Ms. Merchant would like to address a bit of the data.

21 CHAIRMAN CARTER: Good afternoon, Ms. Merchant.

22 MS. MERCHANT: Good afternoon. I just wanted to
23 address a little bit about the facts in this case. And one is
24 that this is a company that doesn't have any meters right now
25 and so they have no consumption data at all, and staff has

1 recognized that throughout the recommendation. But they've
2 gone and interpolated the consumption patterns for the whole
3 company based on the amount of water treated and the amount of
4 wastewater that was treated. And by doing that, that gives you
5 the gross number of water and wastewater that's treated. It
6 doesn't tell you what it sold. It doesn't tell you also how
7 many people are using 3,000 gallons a month or how many people
8 are using 15,000 gallons a month. So we just know an average
9 that if you interpolated it for a whole year, it's also very
10 seasonal. So it's snowbird folks. So most of the people are
11 here only from October to April, I guess. But you don't have
12 that breakout of how many people are using the lower levels
13 that you might be able to say they won't repress. But because
14 we don't have this data, staff has used a 48 percent repression
15 adjustment for water which says of all the total gallons, we're
16 going to reduce them by 48 percent because of expected
17 repression. And really we don't have any historical data in
18 this case. Staff's repression adjustment is based on data that
19 they've collected over the years from companies that have filed
20 reports on repression analysis.

21 But also in that report I don't believe that staff
22 has separated the types of companies that are going from a
23 strictly flat rate, no consumption rate structure to a base
24 facility charge and a gallonage charge, you know. Because
25 you're always going to have a major change when you change from

1 a flat rate to a consumption base billing structure.

2 So those are the problems that we have with such a
3 large repression adjustment that you're applying to the overall
4 body of ratepayers. And, instead, if you separated it out into
5 tiers, you could apply that repression adjustment to the higher
6 tiered people, leave the 3,000-gallons-a-month folks alone, and
7 that to us would be a fairer representation of what the rate
8 structure should be.

9 CHAIRMAN CARTER: Thank you, Ms. Merchant.

10 Commissioners, we are now in our questioning phase.
11 Let's proceed with our questions.

12 Commissioner McMurrin, you're recognized.

13 COMMISSIONER McMURRIAN: I guess I'll just ask for
14 staff's response on those points that OPC raised.

15 CHAIRMAN CARTER: You're recognized.

16 MS. LINGO: Good afternoon, Mr. Chairman,
17 Commissioners. I'm Jenny Lingo with Commission's technical
18 staff. I will directly address the points raised by OPC.

19 First, regarding placing 40 percent of the BFC in the
20 gallonage charge, as we discuss specifically on Page 34, bullet
21 number six, although it's a basic tenet of the water
22 conservation initiative which was signed by the Water
23 Management Districts that a bill generally should not represent
24 more than 40 percent of revenues covered from fixed charges,
25 that's not a hard and fast rule.

1 In this case there were several reasons why we didn't
2 go with 40 percent, that we went with 60 percent. One would
3 be, as Mr. Beck mentioned, that it would reduce the base
4 facility charge from what it is now. The second reason is that
5 they're a very seasonal customer base. So you're going to have
6 revenue swings when the customers are in season versus when
7 they aren't. When you reduce the base facility charge with a
8 very seasonal customer base, you are placing the utility at
9 financial risk for not being able to meet its financial
10 obligations when the customers aren't in season.

11 And, Commissioners, I would point out that these same
12 circumstances were true in the Gold, Gold Coast Utility case
13 that the Commission approved. It was less than a year ago.
14 The, the Gold Coast Utility was basically going from a flat to
15 a metered rate. They were located in the southwest district.
16 We placed 60 percent of the base facility charge for these very
17 reasons and you approved that, so we believe there's some
18 precedent for that.

19 OPC's argument that we should design an inclining
20 block rate structure when we go from flat to metered rates, we
21 can't do it. And that's because to properly design an
22 inclining block rate structure to properly target the
23 consumption that you really want to reduce, you have to know
24 the total number of gallons billed by the utility within that
25 block.

1 As we've stated, they're going from a flat rate to a
2 metered rate. So without a detailed analysis that we normally
3 call a billing analysis -- and typically a utility needs a year
4 to accumulate this data, to, to aggregate the data that we need
5 to figure out where the blocks should be. But going from,
6 going from flat rates there is no, there is no billing data
7 that exists that would tell us that, so we can't do that. Any
8 time we go from a flat rate, the next step and the only step
9 would be from a flat rate to a metered rate.

10 Let's see. Repression, repression. OPC has stated
11 that there should be no repression for kgals of less than
12 3,000 gallons. What we did, Commissioners, rather than
13 specifically say there should be no repression tied to this,
14 more repression tied to a different consumption level, again,
15 because we don't have the number of gallons to tell us how many
16 gallons were at 3,000 gallons or less, we were unable to do
17 that, number one.

18 And, number two, when we went and looked back --
19 contrary to what OPC believes, we have, in fact, separated the
20 data from our reports by different rate structure changes. So
21 we are able to go back and look when we go from a flat rate to
22 a metered rate exactly what's happened.

23 Over the course of the last 15 years or so, going
24 from a flat rate to a metered rate is going to result in a
25 50 percent or greater consumption reduction. And that's not

1 tied to excluding 3,000 gallons. It's just on an overall
2 annual basis you may expect the average overall consumption per
3 customer to be reduced by about 50 percent.

4 Commissioners, I believe that addresses their
5 concerns.

6 CHAIRMAN CARTER: Commissioner McMurrian.

7 COMMISSIONER McMURRIAN: I guess I always liked
8 volleyball. I just wanted to, I kind of wanted to go back to
9 OPC and ask them about specifically the 3,000 gallon limit and
10 what Ms. Lingo said about they're sort of unable to do that and
11 that in prior cases we've seen the 50 percent or greater
12 consumption reduction. So why would we not want to recognize
13 that in this case?

14 MR. BECK: Well, what they can't tell you is is it
15 repressing like that at those low levels? And I think
16 intuitively you've got to say there's only so much people can
17 cut back, and that you would see more price elasticity at the
18 higher volumes where it's more elective than it is when you're
19 just fulfilling your essential needs to live. We think this
20 sends the wrong message. I mean, you're raising the rate for
21 those people who use even just very modest amounts of water
22 from the usage rate of \$1.32 to \$2.14 based on overall
23 repression.

24 The repression is really a lot of guesswork that goes
25 into this. I mean, there's been a number of estimates made.

1 There was an earlier draft where you had a different repression
2 estimate that was about 10 percentage points lower. I mean,
3 there's a lot of judgment. You don't know exactly. But I
4 think it's common sense that you're not going to see as much
5 repression on the lower usages.

6 We'd recommend not applying it to the first
7 3,000 gallons. It sends the right signal to people. It gives
8 a Lifeline type of service to those who most need it and who
9 are doing the most to conserve. And so if you're going to have
10 repression, we wouldn't -- we propose you not recognize it on
11 the first 3,000 gallons. It just makes sense.

12 COMMISSIONER McMURRIAN: So to follow up on that, how
13 do you do it? I mean, mechanically how do we set aside the
14 3,000, first 3,000 gallons if we're going to do that? And
15 maybe I misunderstood because I thought Ms. Lingo was saying
16 that we couldn't do that because of the lack of the data and
17 that sort of thing about where the 3,000 falls out. So how do
18 we mechanically do that?

19 MS. MERCHANT: I think in a case -- you have original
20 certificates that you set two-tiered, three-tiered rates to.
21 So you don't have historical data when you have that and you're
22 setting original rates. You're estimating everything. I think
23 what we're looking at here is an estimate. And staff could
24 come in and say, okay, we assume we've got a lot of people
25 using a lot of water. We might have 25 percent using

1 3,000 gallons. We might have, you know -- it's going to be an
2 interpolation. But the way it is right now is charging all of
3 the repression to everybody equally. It's averaging out that
4 whole. That everybody, someone who uses 1,800 gallons a month
5 is going to repress and use only 900 gallons a month. Somebody
6 who uses 15,000 gallons a month is going to use, you know, half
7 of that. So you're spreading that rate increase to everybody
8 regardless of whether they might fall in the future.

9 And we're at a disadvantage in this case because we
10 don't have historical data. But it just seems intuitive to
11 actually recognize the 3,000-gallon level would have very
12 little, if any, repression and the higher level consumption
13 would have the higher levels of repression.

14 COMMISSIONER McMURRIAN: I think I have one more,
15 Ms. Merchant.

16 If you were to do that, somehow pull out the
17 3,000 gallons and less, would that mean that the rates for the
18 other pieces would be higher to make up for that, that lack?

19 MS. MERCHANT: Yes.

20 COMMISSIONER McMURRIAN: It would be. So do we know
21 what -- is that -- can we tell from your sheet what those would
22 be? Have you all calculated that in some way?

23 MS. MERCHANT: No. I don't have the capability. I
24 think it's a software program that staff has. But all this
25 information on this sheet is staff's information. They gave

1 all, the original rate certainly. And the pre-repression rates
2 are not in your recommendation but they are numbers that staff
3 calculated and gave to us. And then the third column is what's
4 in the recommendation.

5 COMMISSIONER McMURRIAN: I guess I do have one more.

6 CHAIRMAN CARTER: You're recognized.

7 COMMISSIONER McMURRIAN: Ms. Lingo.

8 MS. LINGO: Thank you, Commissioner McMurrian.

9 Commissioners, in essence what OPC is recommending we
10 do is design a two-tier inclining block rate structure for
11 consumptions zero to three and then three and over. Again, we
12 reiterate that we do not have the data to do that, and any, any
13 attempt to do that would be guesswork.

14 However, with my best guesswork in mind and trying to
15 prepare for today's agenda as I was burning the midnight oil,
16 as I am want to do, I tried to pull out those 3,000 gallons or
17 my best estimate as to what the effect of pulling out those
18 3,000 gallons would be and what that effect on overall
19 repression would be.

20 And remember, Commissioners, I mentioned earlier that
21 over the past 15 years when we go from a flat to a metered
22 rate, we haven't, we haven't seen consumption reduction less
23 than 50 percent. And, again, that we're not looking at
24 excluding 3,000 gallons when we do, when we say that. We're
25 saying on all consumption.

1 So going back and looking at my best attempt to try
2 to back out 3,000 gallons, the resulting regression adjustment
3 would be slightly less than 28 percent, and that's barely half
4 of what we would normally expect in terms of consumption
5 reduction.

6 Commissioners, we just don't believe that designing a
7 rate at that level will be compensatory when we, when we have
8 15 years of track record experience to look at and say, you
9 know, it's going to be around 50 percent.

10 And I would point out, Commissioners, that this is
11 not, it's not just the data that we have, although that is the
12 data that we rely on. Taking anecdotal evidence from other
13 regulators across the country when we get together and we talk
14 about this, when we talk about going from flat to metered rates
15 and how it is the best tool we have at reducing consumption
16 immediately, 100 percent of the time I can -- as I sit here
17 today I believe it's 100 percent of the time I can tell you
18 that we all are in agreement that you start at 50 percent.
19 That's about how much you can expect consumption to be reduced.
20 To exclude gallons going from flat to metered rate in the
21 regression calculation will not, will not get you where you
22 need to be in terms of compensatory rates, Commissioners.
23 That's our very strong belief, and we stand behind our
24 recommendation.

25 CHAIRMAN CARTER: Commissioner McMurrian, just, just

1 FYI, volleyball is always preferable to dodgeball.

2 Commissioner Argenziano, you're recognized.

3 COMMISSIONER ARGENZIANO: Oh, but dodgeball can be a
4 lot of fun, too.

5 CHAIRMAN CARTER: Yeah. Depending on whether you're
6 the throwee or the thrower.

7 COMMISSIONER ARGENZIANO: That's right. It can hurt.

8 (Laughter.)

9 I guess I have a few questions and I guess I'm trying
10 to put the whole thing in proper perspective. This is a
11 community that I guess the water rates have been
12 unrealistically low anyway, and I think it's because they
13 probably charge through a lot fee since it's a mobile home
14 community, probably made up the difference through lot fees
15 rather than having water bills go high. So I understand, first
16 of all, that the water rates are low to begin with. But, and
17 probably maybe he can't raise the lot fees any higher now and
18 he has to go towards meter. I don't know what the, what the
19 situation is, but it's an unrealistically low number that
20 people are paying for water there now anyway compared to what I
21 see around the state. But my concern, of course, is jumping
22 from where they are now to -- I mean, what percent increase was
23 this again?

24 MS. LINGO: Commissioner, as we discuss in Issue 11,
25 the pre-repression revenue requirement increase would be about

1 116 percent for water and about 158 percent for wastewater.
2 But when we, when we make repression adjustments, we also
3 necessarily reduce the amount of expenses associated with
4 purchased power, chemicals and sludge removing. So instead of
5 revenue requirement increases being at the 116 and 158 percent
6 levels for water and wastewater that I just mentioned to you,
7 the water revenue requirement increase would drop to about
8 97 percent and the wastewater would increase --

9 COMMISSIONER ARGENZIANO: Which -- go ahead. I'm
10 sorry.

11 MS. LINGO: -- would drop to approximately
12 131 percent.

13 COMMISSIONER ARGENZIANO: Okay. But cutting the nuts
14 and bolts, what does it mean to the average consumer there from
15 what they're paying now to what they will be paying? That's a
16 large increase.

17 MS. LINGO: Yes, ma'am. On -- if we look at combined
18 water and wastewater bills because they are moving from a
19 combined rate to -- well, it's just easier. Let me just put it
20 that way.

21 At a consumption, Commissioner, of, say,
22 3,000 gallons our repression adjustment makes slightly greater
23 than \$3 difference, and at 5,000 gallons it makes about
24 \$7 difference.

25 COMMISSIONER ARGENZIANO: That's for both water and

1 wastewater?

2 MS. LINGO: Yes, ma'am. That's on a combined basis.
3 And the question, we believe the threshold question when you're
4 looking at this type of, the magnitude of this price increase
5 pre-repression is, you know, if a customer is faced with their
6 average bill going from \$15.71 on a combined basis to a
7 combined bill of slightly greater than \$43, the threshold
8 question is is there a reasonable and logical expectation that
9 that customer will reduce their consumption to mitigate that
10 rate increase to --

11 COMMISSIONER ARGENZIANO: Well, and I understand. I
12 don't want to cut you off, but I don't want to lose my train of
13 thought either. But usually the average person is using 10,000
14 to 15,000 gallons. So I want to know the rate increase for
15 that class. But also if you're at 3,000 gallons or 5,000, I
16 don't think you can reduce 50 percent, not even close. I don't
17 think you can reduce at all. That's a bare minimum of usage.

18 MS. LINGO: Well, and, Commissioner, I would remind
19 you that the, the reduction is on an overall annual basis. In
20 this instance I don't, I don't think we can look at what a
21 person's -- how much they can necessarily cut back at, at
22 3,000 gallons. Remember, this customer base is very seasonal.
23 So if you have overall average consumption of approximately
24 4,700 gallons, what that really means is while the customers
25 are gone, they have consumption of zero, but while they're in,

1 while they're there, they've got consumption of approximately
2 9,500 gallons a month.

3 These -- the homes that we're talking about in the
4 service area are on average 900 square feet, two-bedroom, small
5 manufactured homes that sit on a very small lot. But when you
6 look at pictures of the service area, and to the extent that
7 they are heavily irrigated, that tells us that while those
8 folks are in season, they're using a lot, lot of water. And
9 it's, and it's that, it's that tension, if you will, ma'am,
10 because we know there won't be any consumption while they're
11 gone, but while they're there we know they're going to, they're
12 going to be using twice the average. How do we balance that
13 when we don't have data to tell us how many gallons were billed
14 at 3,000-gallon increments or any sort of block in between? We
15 can't because we don't have the detailed billing data.

16 COMMISSIONER ARGENZIANO: But let me just continue
17 asking, how many residents are part-time residents?

18 MS. LINGO: Well, approximately 60 percent of a
19 hundred -- I think it's -- well, about 73, about 73, between
20 70 and 75 of the residents are part-time out of the 122
21 residential.

22 COMMISSIONER ARGENZIANO: Out of 122. And you said
23 that when they're there they're using two times the average.
24 Two times the average of what?

25 MS. LINGO: Of the overall annual average.

1 It's, it's always confusing when you have a very
2 seasonal customer base because there are going to be some
3 customers who are in residence the entire year and they use
4 whatever it is they use that contributes toward the overall
5 annual average of all customers. Then you have the customers
6 who are gone. And, for example, if, if the overall, overall
7 annual average for all customers, both in season and out of
8 season, on a combined basis is about 4,700 gallons, then it is
9 our anticipation that for the time when those customers, those
10 60 to 75 percent of customers are gone, their usage logically
11 would be zero or something slightly greater than zero if they
12 have a water leak or something. But when they're in season,
13 when they're there, they're going to be, they have to be using
14 about twice the average so that we could, we can get to the, we
15 can get to the overall annual average of 4,000 gallons.

16 COMMISSIONER ARGENZIANO: But do they, do they
17 have -- I mean, while they're gone they must still water their
18 lawns.

19 MS. LINGO: Yes, ma'am. They -- pardon me. They do
20 have irrigation systems. But I can tell you that during,
21 during months where we would expect to see very heavy
22 irrigation, there isn't that much -- it doesn't appear that
23 they are -- it doesn't appear that their irrigation systems are
24 necessarily being left on. Because we were able to look at
25 data from the utility's monthly operating reports and track on

1 a percentage basis how much water was being treated at the
2 plant. And during irrigable months, which we would normally
3 expect to be somewhere between, you know, March and September,
4 March and October, the water that is treated every month
5 through the plant is slightly less on an average basis than
6 when the customers are in season.

7 So what, so what we believe is happening is the
8 customers who are in residence are using the 4,700 gallons or
9 something close to it. Those, the percentage of customers who
10 aren't in residence -- see, this is so confusing -- but have
11 their irrigation systems on, they're also contributing to that
12 average. But where we see the spike in water treated and
13 therefore water sold is really between the months of November
14 and February, and that's when all the customers are in, are in
15 season. So, Commissioner, I hope I'm answering this.

16 COMMISSIONER ARGENZIANO: Kind of. It's just, I
17 guess if the snowbirds are not down there during the summer,
18 then they're probably still running their irrigation. Because
19 I don't think you'd come back and have a dead lawn and start
20 watering it in the middle of winter, even though winter down
21 there is a little bit different. So I would think the
22 consumptive use would change or it would be, you know, when
23 they're not there they're using the water also.

24 But let -- I understand what you're saying. I guess
25 what I want to say is I think that the jump -- and I do need

1 from you, you said the 9,500 gallons was, I think you said, an
2 average or something. And what I want to know is what the fee,
3 what the, what the jump would be, what the current rate is for
4 the 10,000 and what it goes to, because to me that's more of an
5 average use for a typical family.

6 MS. LINGO: Well, and, Commissioner, that, with
7 respect, I think that comparison would be slightly off the mark
8 because if you accept the basic tenet that customers will
9 reduce their consumption as a result of the magnitude of this
10 increase, a customer at 10,000 gallons pre-repression, they're
11 not going to use 10,000 gallons because of the magnitude of the
12 price increase. In fact, Commissioner, at 10,000, at
13 10,000 gallons, if we look at it on a pre-repression basis,
14 their bill has increased about \$38. We believe that customer
15 when faced with that sort of jump in their bill will cut back
16 on their consumption to the tune of about 48 percent. So
17 instead of an increase of about \$38, the increase --

18 COMMISSIONER ARGENZIANO: If they cut back to where
19 you think they can cut back to.

20 MS. LINGO: Well, I would argue that based on the
21 size of these homes, again, being 900 square feet, sitting on a
22 very small postage stamp lot --

23 COMMISSIONER ARGENZIANO: Yeah, but -- and with all
24 due respect, you're not washing your walls down. You use water
25 to drink, to cook and to clean. It doesn't matter what size

1 your home is unless you have a very large family. But I have
2 found over the years that the average use even for two persons
3 in the household is usually around 10,000 gallons, especially
4 when they're irrigating the lawn. And if they have smaller
5 lawns, then maybe it's less. But you're saying, and this is
6 what I need to know, \$38 would be the increase for that range.
7 And if they were to go back and use conservation and reduce
8 that, then you have a different figure. But the jump would be,
9 if they stayed at that amount would be the \$38 on top of what
10 they're paying now.

11 And, and, remember, I prefaced this saying I think
12 their numbers are low anyway compared to everybody in the
13 state. They've had a low water bill for a long time. My
14 concern is just hitting them all at one time.

15 And then to the other point of 3,000 gallons or less,
16 I've never seen a conservation rate structure or repression
17 structure anywhere that ever addressed a 3,000 dollar -- a
18 3,000 gallon. That's such a low use of water that I'm not
19 sure -- I understand for calculation purposes for the company,
20 but I'm just, I just don't know that, that that is sending the
21 right message if you're only using 3,000 gallons a month. And
22 then to the point that there's no meters, they're going from
23 flat to metered, but how long does it take after you get on a
24 meter to figure out who's using 3,000 and 10,000 and more, and
25 can you look at that afterwards?

1 MS. LINGO: It typically takes about a year for the
2 utility to develop all of the aggregated billing data that we
3 need, especially when you have a seasonal customer base. In
4 cases where there isn't a seasonal customer base we've in rare
5 circumstances designed rates with less than one year's worth of
6 billing data. But, again, that's because it was a nonseasonal
7 customer base. With a seasonal customer base you have, you
8 have customers there part of the time, gone part of the time,
9 and the reason you need a full year of data is to capture the
10 entire cycle of that seasonality. So for this utility,
11 Commissioner, I would, I would say at least one year of billing
12 data would be necessary.

13 The utility is in the process of installing meters
14 now and we've given them six months to install the meters. And
15 then effective January 1st they, if you approve staff's
16 recommendation, they will begin to charge a metered rate. So
17 beginning January 1st they could begin to be gathering that
18 aggregated data. And, you know, as I said, it would take at
19 least a year to develop that data to capture the entire
20 seasonal cycle.

21 COMMISSIONER ARGENZIANO: I just -- maybe OPC wants
22 to address.

23 MS. MERCHANT: I was going to tell you, this sheet of
24 paper that we handed you shows the -- at the very bottom
25 there's, the next to the last category is the gross dollars.

1 Okay. You can see it for 3,000 gallons, 5,000 gallons,
2 6,000 gallons and 10,000 gallons. Those are the bills that the
3 customers would pay. So today they would all pay \$15.71. This
4 is water and wastewater combined. And then on the
5 pre-repression for 3,000 it would be \$36.05, and on the
6 post-repression it would be \$39.33. So you can go through each
7 of these consumption patterns and see the different, the
8 difference. I don't have the differences in the dollar amounts
9 there, but -- and the bottom section there compares the
10 percentage increase on those different consumption patterns.
11 That would be the impact to the customers.

12 MS. LINGO: And, Commissioners, I would point out
13 that the comparison, for example, at 3,000 gallons of
14 pre-repression rates being -- let's take 5,000. The
15 pre-repression rates of \$44.55 compared to post-repression
16 rates of almost \$52, again, it would be our contention that
17 post-repression they wouldn't be using 5,000 gallons, they
18 would be using something closer to 3,000 gallons. So they
19 wouldn't be paying the \$51.69. They would be paying something
20 less. And that's an important distinction, we believe, when
21 you're looking at this comparison.

22 COMMISSIONER ARGENZIANO: And -- Mr. Chair. To that
23 point, that's a guesstimate. Because at 5,000 gallons, if you
24 have two people, a husband and a wife, I don't know if they'd
25 want to alternate showering days. I'm not sure. That's,

1 that's a very low number. So what it is, it's your best guess
2 that they can reduce, and I'm not sure that that's realistic at
3 that gallonage. Now if you're talking about 10,000, maybe. If
4 you're talking about higher, the higher end users, maybe, if
5 they have families, larger families and so on. And I've heard
6 people, and we've heard them in our hearings, that put on, you
7 know, timers in the shower and all that. But you realize that
8 5,000 gallons is low. Even if it's when they come to visit
9 during the snowbird time that they come, it's -- I don't know
10 that you can assume -- there may be some possibility of
11 conservation there, but I'm just not sure you really can do
12 that. I'm not sure that's realistic.

13 MS. LINGO: And it's our experience now because of
14 watering restrictions that different districts have placed on
15 their customers, and this utility being in the southwest
16 district, for the overall annual average of 4,700 gallons for
17 two people living in homes of this size, it actually is on, it
18 is bordering on being on the high side.

19 COMMISSIONER ARGENZIANO: In the southwest district?

20 MS. LINGO: Yes, ma'am.

21 COMMISSIONER ARGENZIANO: I think in the southwest
22 district it's if you go above 10,000 gallons.

23 MS. LINGO: Yes, ma'am. It's on a per capita per day
24 basis. And I know in places like in Citrus County and areas
25 around there the average daily per capita use is substantially

1 greater because they have, they live in single family detached
2 homes and their yards are substantially larger. When we --

3 COMMISSIONER ARGENZIANO: Well, but that's the point
4 there is that their yards are, they're using more in
5 irrigation. They can probably cut down. But when you're
6 talking about an area that you're describing with a postage
7 stamp yard, their irrigation is not that high and 5,000 gallons
8 is pretty much what the, what the family is probably consuming
9 despite the size of the house. Because if you live in a big
10 house, you're still going to take the same amount of showers
11 and drink the same amount of water and cook or whatever.

12 MS. LINGO: And I would respectfully disagree. I
13 believe that based on, based on what we have seen, consumption
14 for this customer, for this customer base, given this type of
15 area, is slightly on the high side. And, Commissioner, I think
16 here we're just going to, we're just going to agree to
17 disagree, I suspect.

18 COMMISSIONER ARGENZIANO: And that's fine. We can
19 always do that. But I don't understand how the size of your
20 house, unless you have more people in the house, makes a
21 difference on consumption of water.

22 MS. LINGO: Because the number of -- the greater the
23 size of your house, it -- there are two main drivers to that.
24 One is going to be the greater the size of your house, the
25 greater the square footage, the greater number of plumbing

1 fixtures you're going to have, which is going to increase --

2 COMMISSIONER ARGENZIANO: So you just run into the
3 other bathroom and use the water to -- I'm trying to find the
4 logic in that. You still use the same amount of water whatever
5 size your house is except for irrigation.

6 MS. LINGO: I apologize, Commissioner. I thought you
7 asked me how it could be that the size of a house could make a
8 difference between -- in terms of --

9 COMMISSIONER ARGENZIANO: The usage of water,
10 gallonage.

11 MS. LINGO: -- the usage of water. And what you
12 would expect, all other things being equal, is that the larger
13 the house, the larger, the greater the number of water fixtures
14 in the house and the greater the irrigable surface outside. So
15 with that being said -- and, yes, ma'am, I see you, I see you
16 shaking your head.

17 COMMISSIONER ARGENZIANO: I just disagree. It
18 doesn't matter how many sinks you have in the house. It's how
19 much water you use. Because I have three bathrooms doesn't
20 mean I'm going to take a shower in each one every day.

21 MS. LINGO: In the larger, the larger houses you
22 typically have more people.

23 COMMISSIONER ARGENZIANO: Well, that's my point.
24 That was my point to you. It's not, it's not -- well, I said
25 that. If you have a larger family, yes, you're going to use

1 more water. If you have a larger lawn, you're going to use
2 more water because most of the consumption of the water in the
3 communities today are irrigation. People don't realize how
4 much water they're using every time they turn it on. But you
5 said to me this is postage stamp size lot, so their irrigation
6 is minimal. And the same amount of people are going to use the
7 same amount of water despite how big your house is unless
8 you're doing those other things like procreating and having
9 many, many children in the house and watering a very big lawn,
10 so.

11 MR. BECK: Commissioner, may I make some comments?

12 CHAIRMAN CARTER: Mr. Beck, you're recognized.

13 MR. BECK: Commissioner, I think it's evident to me
14 from the discussion, first of all, that the rates are involving
15 a huge amount of judgment calls and guesswork, necessarily so.
16 I'm not, you know, impugning anybody for it, but you just don't
17 know until rates go into effect. The rates even as proposed by
18 staff do not go into effect until January 1st. I'd recommend
19 that you ask staff to give you more alternatives. We still
20 maintain that the correct way to go is to follow the Water
21 Management Districts on the amount of the base facility charge
22 as well as an inclining block. It's the right thing to do for
23 the state, it's the right thing to do for consumers who have
24 low usage. You shouldn't be raising their rates because maybe
25 somebody else is having higher usage.

1 Since there's no rush to do this, rates don't go into
2 effect until January 1st, bring back some alternatives that
3 would be consistent with a conservation rate structure.

4 CHAIRMAN CARTER: Commissioner --

5 MR. FRIEDMAN: Chairman Carter, might I weigh in on
6 this issue?

7 CHAIRMAN CARTER: Oh, absolutely.

8 MR. FRIEDMAN: You know, typically the issue of rate
9 structure, as long as the rates generate the revenue that is
10 authorized, is not an issue that typically the utility is
11 concerned about. It may be a little different in this
12 situation because we are going from flat rates to low -- very
13 low flat rates to a metered rate. And so I am concerned with,
14 with rate structure, and I think that the staff, based on their
15 experience, is probably better able to make those judgment
16 calls than, than is Public Counsel.

17 And the issue of the repression adjustment, that's
18 another little science all in of itself, and I don't profess to
19 understand all of it other than the fact that repression is
20 going to occur. And I think that if we start with the premise
21 that Ms. Lingo said, which is based upon the experience when
22 you have rates going from flat rate to metered rates, you're
23 going to have a 50 percent repression.

24 And if you accept then the Public Counsel's assertion
25 that the lower gallonage, 3,000 gallons and less will have no

1 repression, then you have to put a higher repression on the
2 higher usages so that when you come out to an overall
3 repression rate, you come out with the 50 percent that history
4 has shown us is going to occur.

5 So in order to afford the utility an opportunity to
6 earn its return that is authorized, you've got to include a
7 50 percent -- overall whether you include any of it in the
8 first 3,000 gallons or not, overall the post-repression rates
9 have got to recognize that there will be a 50 percent reduction
10 in consumption. So that, that, that repression that Public
11 Counsel says will not occur in the lower consumption categories
12 is going to have to be shifted to the higher categories. So,
13 in other words, there won't be 50 percent among all categories.
14 There will be none in the lower and maybe 75 percent in the
15 upper. But the overall total repression has got to equal
16 50 percent since that is what history tells us is going to
17 happen in order to make sure that the utility earns its
18 authorized rate of return.

19 CHAIRMAN CARTER: Okay. Commissioner McMurrian.

20 COMMISSIONER McMURRIAN: And that was sort of related
21 to the point I was going to ask Mr. Beck and Ms. Merchant about
22 was whenever we first started talking about this 3,000 gallons
23 and Ms. Lingo said we were really unable to do that, and she
24 stressed that if we did it that way, the rates would not be
25 compensatory. And, of course, that got my attention because I

1 think that, I think we're charged with considering that. So,
2 so it's along the same lines I think of the point that
3 Mr. Friedman was making, is there a way to do what you're
4 asking and still make rates compensatory? And is it
5 essentially that you're just going to have to raise the rates
6 for the other customers much higher, the gallonage charge and
7 all for the other customers much higher for that, I guess the
8 tier above 3,000?

9 MR. BECK: We're not arguing there won't be some
10 repression. I think it's a lot of guesswork what the exact
11 amount will be. You know, there's an enormous amount of
12 judgment and guessing that goes into these rates. The
13 numbers -- the apparent precision is not there when you get
14 down to the assumptions that underlie it. And, yes, you would
15 have to raise the higher levels up some more in order to not
16 reflect it in the lower things. We recognize that. But we
17 think it's the correct rate structure both for the customers
18 who conserve and for the state that is under a water shortage.

19 COMMISSIONER McMURRIAN: Thank you.

20 CHAIRMAN CARTER: Commissioners, we're in our
21 question phase. Any further questions?

22 Commissioner Argenziano, you're recognized.

23 COMMISSIONER ARGENZIANO: I guess one on -- I don't
24 know if staff can answer this, but on most conservation rate
25 structures the key, I would think that the key purpose of

1 having a conservation rate structure is so that those people
2 who are conserving to begin with and using low amounts of water
3 pay less and those who use more pay more. It's kind of like an
4 impact fee; is that correct?

5 MS. LINGO: Yes, ma'am. That's correct.

6 COMMISSIONER ARGENZIANO: Okay. Then doing this the
7 other way, by going with the repression -- and I understand the
8 dilemma the company is in because they have to earn that money.
9 So that's why maybe I'm looking for alternatives, too. But by
10 turning it around the other way and doing it the way that
11 you've suggested, repression rates on the 3,000 gallons a month
12 is just the exact opposite of the conservation rate having the
13 effect for conservation of water in the State of Florida, would
14 you understand or agree?

15 MS. LINGO: Commissioner, if you were to look at that
16 in isolation, yes, ma'am, I would, I would agree. But, again,
17 because we, because we can't design true conservation rates
18 that truly target those customers who are using an excessive
19 amount versus a non-excessive amount, the overall, the overall
20 annual average is the best we can do.

21 We would point out that the impact of a customer at
22 1,000 gallons or 2,000 gallons in terms of the magnitude of
23 their rate increase is going to be less based on our
24 methodology than the impact of a customer who's using five or
25 six or seven thousand gallons. We're still able to achieve a

1 conservation movement, if you will, because as the, as the
2 consumption increases, so does their percentage increase.

3 Again, I would get back to in a perfect world we
4 would be able to design rates such that we could appropriately
5 target the small users versus the large users, but in this
6 case, ma'am, we can't.

7 COMMISSIONER ARGENZIANO: Well, I think -- Mr. Chair.
8 For your purposes, because you're not looking at conservation
9 rates, the reason I bring that up is because the state and the
10 water management districts for years now have been imposing
11 conservation rates because of that. The impact is what you
12 pay. So to me at 3,000 gallons, you can't -- you're punishing
13 someone for using less water.

14 What I'd like to see is an alternative. But I need
15 to ask OPC also because there's a legitimate concern, if, if
16 you do not use the repression rates at the 3,000 gallon user,
17 the company can't earn its, its rate of return unless, I guess,
18 you go to a more conservation rate, which charges the higher
19 end user a lot more. But because the company's got so many
20 customers who don't live there all year long, in order for them
21 to exist they have to be able to make some money. So do you
22 have a suggestion other than just saying no repression rates
23 that we may be sending back or asking staff to look at that
24 would keep in mind that conservation rates are an important
25 thing for the State of Florida also?

1 MR. BECK: Right. Just as there's a lot of judgment
2 and guesses that goes into the staff proposal, I think the same
3 would be under what we're proposing, that you not recognize
4 repression at the lower levels. And if you think it's correct,
5 probably even more (phonetic) at the higher levels.

6 I think one of the things you would do, since this
7 is, would take effect January 1st, is have a quick come back to
8 see what impact the rates have. I mean, we would not be
9 opposed to that. You have to do a best guess of something,
10 putting what we think is the right rate structure, a
11 conservation rate structure, and then a have look-see as soon
12 as you reasonably can afterwards to see what is actually
13 happening and then adjust it at that point when you have actual
14 data as opposed to --

15 COMMISSIONER ARGENZIANO: And maybe --

16 CHAIRMAN CARTER: You're recognized.

17 COMMISSIONER ARGENZIANO: -- the company
18 representative would like to -- I'm sorry. I forgot --

19 CHAIRMAN CARTER: Mr. Friedman.

20 COMMISSIONER ARGENZIANO: Mr. Friedman.

21 MR. FRIEDMAN: Well, I'm not sure I understood what
22 Mr. Beck was suggesting, whether it was come back in a year
23 after we've got consumption data and see how it worked, and if
24 that's fine, fine. But the problem we've got is that although
25 the company is willing to delay the implementation of this to

1 January, they still need to know the result of this earlier.
2 And this is because of the interplay between the Mobile Home
3 Landlord-Tenant Act and what the company is intending to do
4 with these rates. It's their belief that they need to advise
5 the customers, the residents of these rates as they do for a
6 regular rent increase, which means they have to do that in
7 August of this year. So although it sounds like, oh, yeah,
8 we've got all this time, we really don't have time to sit down.
9 And, and all the meters aren't in yet anyway, so we can't
10 figure it out. The meters won't be in for another 30 or 60 or
11 90 days, and this company needs to have the result of this in
12 August so that it can advise the customers and the customers
13 can go through a process that the Mobile Home Landlord-Tenant
14 Act allows for them to go through.

15 You know, I think the bottom line is that, is that
16 when you go from flat rates to metered rates, especially when
17 they're very low flat rates, when you're paying \$15.71 for all
18 the water and sewer you use is unheard of. Even at a 6,000
19 gallon, typical 6,000 gallon bill with the staff's recommended
20 repression you're still only talking about \$36.44 for 6,000
21 gallons of water and sewer, which still is a, is a very
22 reasonable rate. It's a very reasonable rate. I mean, it
23 looks like, man, there's this big gigantic increase. But if
24 you look at the end result, the rate that these customers are
25 going to be paying is very reasonable for 6,000 or

1 10,000 gallons of water and sewer.

2 There is no exact science when you're going from flat
3 rates to metered rates. What we do have though is the
4 experience that Ms. Lingo has developed through these --
5 typically in these rate cases y'all have been requiring
6 utilities to file monthly and quarterly consumption reports,
7 and we send them to Ms. Lingo and she has this data and she
8 does something with it. (Laughter.)

9 You know, I think that what she is doing, what she
10 does with all that data though all our clients have been
11 sending is putting it in a database and coming up with -- I
12 don't think it's a guess like Mr. Beck says. I think it's an,
13 it's an educated opinion based upon what historically has
14 happened. And I think that's what Ms. Lingo has done is she's
15 looked at what historically has happened in Florida and is, and
16 is projecting that to this base of customers. And that's why I
17 think that what the staff has done is, in the rate structure
18 and the repression is, is very reasonable. There is no exact
19 science. It's a science, and it's based on a science -- you
20 take people who take, take empirical data and they interpret
21 it. And I think Ms. Lingo is more than qualified, at least of
22 people that I've seen here, to make those type of -- nothing
23 personal against, nothing personal, but that's, repression
24 adjustment is a whole world unto its own. (Laughter.) And I
25 think that Ms. Lingo has done an excellent job and she

1 understands all that, and I would suggest that, that we defer
2 to her opinion.

3 And we can always look back at this as the Commission
4 staff goes through their annual desk audits of annual reports
5 and see to make sure that it's not something that came up so
6 out of whack that the utility is over-earning. So I would, I
7 would request that the, the Commission approve the staff's
8 recommendation.

9 CHAIRMAN CARTER: Commissioners, we, I believe that
10 we've exhausted our questions, unless there's more.

11 COMMISSIONER ARGENZIANO: No. I was just going to
12 tell Mr. Friedman that he's not sure of the background of
13 everybody in this room, so be careful, as far as how much they
14 know about that issue. That's what I meant.

15 CHAIRMAN CARTER: Great. So we've completed our
16 questioning session. Let's proceed to discussion and debate on
17 the issues contained in Item --

18 COMMISSIONER McMURRIAN: 21.

19 CHAIRMAN CARTER: -- 21. Thank you. We're in
20 discussion and debate, Commissioners, on Item 21 and those
21 issues contained therein.

22 Commissioner Edgar, you're recognized.

23 COMMISSIONER EDGAR: Mr. Chairman, after over three
24 years of listening to discussion and questions on repression
25 analysis and those issues, you know, every time I think I'm

1 beginning to get it I come up with more questions. So I am not
2 putting myself out there as an expert at all. But I do
3 recognize the expertise of our staff and the multiple,
4 multiple, multiple years of experience that they have on these
5 issues. And so in, in my respect for all participants and also
6 in the interest to just put us in the posture to maybe move
7 along and see where we are, I'll make a recommendation in favor
8 of the staff recommendation on -- a motion in favor of the
9 staff recommendation on all issues contained in Item 21.

10 CHAIRMAN CARTER: Commissioner, is there a second?
11 Commissioner McMurrin.

12 COMMISSIONER McMURRIAN: I'll second it. I agree
13 with the staff recommendation. My only concern -- I think that
14 Mr. Beck has raised an interesting point, and that was, of
15 course, that's why I asked all the questions that led us into
16 this. And I think what Mr. Beck was saying is it was talking
17 about deferring this one, maybe one agenda to get some more
18 options there for us and that perhaps that wouldn't put the
19 company in some posture -- I don't know. And I was sort of
20 hoping before we got to the motion that we might get some
21 feedback on, on that idea. I don't know exactly what I think
22 about that idea. But I will second the motion just to get us
23 in the posture and see where that goes.

24 CHAIRMAN CARTER: Okay. Commissioners, we've got a
25 motion and a second.

1 Commissioner Argenziano, you are recognized. We are
2 in debate.

3 COMMISSIONER ARGENZIANO: Well, I guess my the first
4 thing I want to say is I have respect for everybody's
5 expertise. That doesn't mean you're always right, just as I'm
6 not always right, so just to make that very clear. And as an
7 independent Commissioner I have to think independently with
8 what I know and what I gather. I don't just follow just
9 because I follow. So while I -- I want to make it very clear
10 that I respect all of your hard work and your expertise, but
11 healthy debate is good and it's okay to disagree. I have no
12 problem -- I don't take it personal at all. Okay? It's my job
13 and it's your job.

14 So getting that put aside, there is -- I have the
15 utmost respect for staff. I couldn't have been as good of a
16 legislator as I was if it wasn't for my staff, and the
17 information here that you provide. But just don't take it
18 personal if I don't agree. Thank you.

19 I do not agree with staff's recommendation. My main
20 concern, and I said it before, one of my concerns is that --
21 and I recognize the amounts of money that the people have been
22 paying for their water, they're low. They're lower than most
23 places I've seen. So I understand the need to do that. It's
24 just in the, in the mechanism in going, going that way. I
25 think that using repression on 3,000 gallons is absurd, it

1 flies in the face of conservation rates throughout the state,
2 it's wrong, and I wish that we could find an alternative to
3 that. Because we're going against everything that we are
4 putting on the, on the consumer today with our Water Management
5 Districts, with the Department of Environmental Protection and
6 the reason for conservation rates. And, yes, I've worked with
7 the Department of Environmental Protection in creating a lot of
8 the laws that they follow as far as the policymakers have
9 given, and they are, they are in much favor of conservation
10 rates. And I am, too. I mean, if you're a high end user, you
11 pay more. But I just don't think it's right for a 3,000-gallon
12 user to have a repression rate.

13 And I'm hoping that we can find another mixture of
14 rates somehow to help the company because they need to get
15 there. And even the increases are not, like Mr. Friedman said,
16 they're not unreasonable. It's just getting there the right
17 way.

18 Using the repression, I think, just flies in the face
19 of what as a state our policymakers have been applying
20 throughout the state, and would just love to see maybe an
21 alternative, but also taking into consideration the time frames
22 for the utility also. And basically, Mr. Chair, that's just my
23 take on it and my opinion. And like I said, I appreciate
24 everybody else's opinion, but that's mine.

25 CHAIRMAN CARTER: Commissioner, you said that you're

1 not always right. Somebody put this in my chair when I stepped
2 out. It says, "Commissioner Argenziano is always right."

3 COMMISSIONER ARGENZIANO: It wasn't me.

4 CHAIRMAN CARTER: It wasn't you?

5 COMMISSIONER ARGENZIANO: No. Because I'm not always
6 right.

7 CHAIRMAN CARTER: It was probably Larry.

8 (Laughter.)

9 COMMISSIONER ARGENZIANO: Did you -- you said it was
10 in my seat?

11 CHAIRMAN CARTER: No, it was in my seat.

12 Commissioner Skop, we're in debate.

13 **COMMISSIONER SKOP:** Thank you, Mr. Chairman.

14 I think Commissioner Argenziano has, you know,
15 expressed it in terms of looking for additional options. I
16 think Commissioner McMurrian also kind of hinted at that. Is
17 there a procedural matter without holding up the show that
18 perhaps staff could take a second look at this or look at some
19 additional options? I heard the option of a deferral
20 mentioned, but, again, I recognize there is a motion on the
21 table and I want to be respectful of that.

22 **CHAIRMAN CARTER:** Let me do this before -- if you
23 could remember your question for a moment, just in case I have
24 one of my over-50 moments. I wanted to ask Legal, because I
25 think from the discussion from Commissioner McMurrian and

1 Commissioner Argenziano was maybe looking at a threshold, a
2 gallon usage amount. Am I correct in that assumption? Mr.
3 Cooke, how does that put us procedurally, and actually we have
4 got a motion on the floor, but how does that put us
5 procedurally on that? I'm just trying to flesh that out.
6 We're you listening to that discourse?

7 **MR. COOKE:** On the gallonage or the alternative being
8 brought back by staff? Were you asking me if we can defer this
9 item relative to our statutory deadlines?

10 **CHAIRMAN CARTER:** No. Well, I think what -- and,
11 Commissioners, don't let me put words in your mouth, but I
12 think that what Commissioner Argenziano and Commissioner
13 McMurrian was saying was what's the magic number in terms of
14 the gallons? Is it 3,000, is it 5,000. Was I correct? Am I
15 close?

16 **COMMISSIONER McMURRIAN:** Chairman, I think it was
17 taking up OPC's suggestion that at 3,000 gallons and under you
18 wouldn't apply any repression. Of course, the concern with
19 that was how to make rates compensatory, and I don't think we
20 have all that information in front of us. Mr. Beck had also
21 brought up the idea of deferring to get some options where we
22 would be able to see how that could be addressed, if it can.

23 And I'm not sure if it can or not, but I guess I was
24 intending at least after we were done to maybe ask staff to
25 look at this as like a generic issue. You know, just to start

1 seeing if there is some kind of way to address through some
2 kind of new rate structure where we won't apply repression to
3 3,000 gallons and under. Is there some way to make up that
4 difference? I realize that means other customers would be
5 paying higher rates, but is there some way to do that in a
6 situation like this and still result in compensatory rates.
7 But I'm also willing to let the motion go forward and maybe do
8 that on a generic basis because I'm not sure what the impact is
9 going to be on the company of holding this up however many
10 agendas. I just don't know.

11 **CHAIRMAN CARTER:** In all fairness, Commissioner
12 Argenziano, I may have mischaracterized your perspective, as
13 well. Commissioner McMurrian just clarified her point, so with
14 all due respect I'll give you an opportunity -- because I
15 thought I probably misheard both of you.

16 **COMMISSIONER ARGENZIANO:** Well, that is a concern,
17 and I'm not sure how you address it other than the higher user
18 pays more. And, unfortunately, that is how it is throughout
19 the whole state. That it is the impact you have upon the state
20 and you pay more. The company maybe can offer up a different
21 suggestion on how to get there also in the interim. I don't
22 want it to take forever, either, but perhaps that's a
23 suggestion. Or the suggestion of looking at alternatives, as
24 OPC mentioned, and maybe the parties can work with one another
25 so we make sure that we are not hurting the companies' rate of

1 return, but also understanding that regression rates at
2 3,000 gallons, I think OPC is right, it is just opposite of
3 what the state is doing. I guess, if we can have staff come
4 back with some alternatives on those concerns.

5 **CHAIRMAN CARTER:** Thank you. Commissioners, we are
6 in debate. Okay. You know, it's that time when we are
7 switching out. You are very fortunate, we just switched out on
8 our court reporter. So let's take five minutes. Not five
9 Commission minutes, five minutes.

10 (Recess.)

11 **CHAIRMAN CARTER:** We are back on the record, and we
12 had a motion and a second and we were in debate. We are in
13 debate.

14 Commissioner Skop, you're recognized. Okay. Maybe
15 you're not.

16 **COMMISSIONER SKOP:** Well, I might pose a question.
17 Well, I guess I can't pose a question because we're in debate.

18 **CHAIRMAN CARTER:** You can ask a question.

19 **COMMISSIONER SKOP:** Are you sure?

20 **CHAIRMAN CARTER:** Absolutely.

21 **COMMISSIONER SKOP:** I just would have a question to
22 staff to the extent that in light of the concerns that have
23 been raised, if staff would have any reflection on some
24 alternatives that we could pursue.

25 **MR. WILLIS:** Commissioner, during the five-minute

1 recess, we have had a discussion between parties, OPC and the
2 utility company, and what I propose is that, if the Commission
3 is desirable of this idea, we would go forward and implement
4 the rates as they are. We would obtain 12 months worth of
5 information because of the seasonality, and at the end of 12
6 months, we will share all the data with Public Counsel and the
7 utility company, and if we are wrong, we will do a revenue
8 neutral rate restructuring on a prospective basis going
9 forward. And I believe the parties are okay with that.

10 **CHAIRMAN CARTER:** Let me hear from the parties before
11 we go into our discussion, Commissioners.

12 Mr. Friedman.

13 **MR. FRIEDMAN:** The company is satisfied with that
14 suggestion.

15 **MR. BECK:** As are we. We think that is a practical
16 way to deal with this.

17 **CHAIRMAN CARTER:** Okay. Commissioners, we have a
18 motion and we have a second, and you have heard staff's
19 recommendation.

20 Commissioner Skop, you're recognized.

21 **COMMISSIONER SKOP:** Thank you, Mr. Chair. In light
22 of the statements, I will make this brief, because, again, I
23 respect the motion that is properly seconded on the table. I
24 just wanted to know in terms, before we close debate, whether
25 the proposed stipulation would adequately address both

1 Commissioner Argenziano and Commissioner McMurrian's concerns.

2 **CHAIRMAN CARTER:** Commissioner Argenziano, you're
3 recognized.

4 **COMMISSIONER ARGENZIANO:** Well, Mr. Chairman, since
5 everybody agrees, but I've got to tell you what bothers me is
6 the repression rate under 3,000 gallons. I mean, if you even
7 go on the web just for a minute, I just pulled up, I guess it
8 is the City of Naples, talking about how the most significant
9 changes in their rates are going to be, and they changed, they
10 added a fourth tier to include conservation rate methods, which
11 that fourth tier says now, you know, the lowest tier which gets
12 penalized the least, I guess, because they feel that they are
13 being conservation minded to begin with starts at -- it goes
14 from zero to 15,000 gallons. Everybody above that is
15 considered, you know, you're going to pay more because you are
16 using more. And in the state of Florida, the impacts, we have
17 impact fees and all kinds of stuff, and to me I still have a
18 problem, I guess, fundamentally. I'm having a hard time now
19 because everybody agrees, and it is something I want to see
20 happen after you have the data, but I still have the problem
21 with the repression rate because to me it flies in the face of
22 even legislation that I passed that says that you go to
23 conservation mode. And I don't see this -- I see this going in
24 the opposite direction, so I'm torn. But I would like staff --
25 however I vote on this, I would like staff to do exactly, you

1 know, keep looking into it and finding out, you know, getting
2 that data together even if I vote no. And the only part of no
3 of this would be because I feel I would be a hypocrite to vote
4 for repression rates at 3,000 gallons.

5 **CHAIRMAN CARTER:** You said you went on what website?

6 **COMMISSIONER ARGENZIANO:** On the Internet. I have
7 just one example here, and it's basically from the City of
8 Naples, and it is regarding their new rate structures for water
9 use. And following throughout the state on the conservation
10 rate methods that say that you use less is what we want you to
11 do. And DEP and the water management districts have a lot to
12 do with that, and that's the way we have been moving. So I am
13 looking at maybe one of the results could be the same for the
14 utility. You know, if you use 3,000 gallons, we are not going
15 to punish you, but if you are a big user, that's the impact you
16 have upon the resource and you have to pay more.

17 **CHAIRMAN CARTER:** Well, Commissioner, I went on
18 YouTube and Homer Simpson said don't even use water, use beer
19 for it. So --

20 **COMMISSIONER ARGENZIANO:** And if I can get beer --
21 let's see, what's the rate?

22 **CHAIRMAN CARTER:** Commissioner McMurrin, you're
23 recognized.

24 **COMMISSIONER McMURRIAN:** Thank you.

25 That would satisfy my concerns. I guess we need to

1 talk about procedurally how we do that, but I did want to say,
2 though, that we have been a partner with those, with DEP and
3 the water management districts in trying to work on those
4 conservation rates. And I think that if we were in a different
5 posture with this utility, we weren't going from flat to
6 metered, we probably would be talking about at least the
7 possibility of going to that. We have done that in several
8 cases, going to the inclining block rate structure to further
9 promote conservation, and I just wanted to add that. And I
10 think we will be looking at those kinds of things in other
11 cases in the future. I think it's the uniqueness of this case,
12 having been flat rates.

13 But I do think that the agreement of the parties
14 addresses my concerns. I do agree with Commissioner
15 Argenziano, as well, that maybe if staff can look at the issue
16 generically going forward, but I like the way that the parties
17 have proposed to resolve it because I think it allows us to
18 move this case along and not hold it up for more broad issues
19 that we want to be looking at. So it would satisfy my
20 concerns, but I don't believe that really changes the motion.
21 It may be an addendum to the motion, because I think we would
22 still be approving the staff rec, it would just be with some
23 other caveats added in. But, procedurally I don't now how to
24 go about that, Chairman.

25 **CHAIRMAN CARTER:** I think you're correct. I think

1 you are correct. We are in debate, Commissioners. Any further
2 debate? We have a motion and a second on the floor. We are in
3 debate. Any final debate? No debate.

4 The motion is to accept the staff recommendation with
5 the understanding that we have verbalized here in the context
6 of conversations with the parties and OPC. All those in favor,
7 let it be known by the sign of aye.

8 (Unanimous affirmative vote.)

9 **CHAIRMAN CARTER:** All those opposed, like sign. Show
10 it done. We are now on Item 22.

11 **MR. JAEGER:** Mr. Chairman.

12 **CHAIRMAN CARTER:** Yes, sir.

13 **MR. JAEGER:** Ralph Jaeger with legal staff. I want
14 to make sure --

15 **CHAIRMAN CARTER:** Too late.

16 **MR. JAEGER:** I am writing the order, and I want to
17 make sure -- I heard Marshall say one thing, but what I thought
18 we were saying is after one year we will look at it and I guess
19 we will address the appropriateness of the rate structure, the
20 two-tier rate structure, whether it should be inclining block,
21 or stay with that, or change. And so we would come back with a
22 recommendation as to the appropriate rate structure, and it
23 would be revenue neutral. Is that what we -- it would be after
24 a one-year period, and I just want to make sure that's what we
25 were agreeing to.

1 **CHAIRMAN CARTER:** Mr. Willis, do you think you can
2 help him write the order?

3 **MR. WILLIS:** I believe I can help him write the
4 order.

5 **CHAIRMAN CARTER:** Good.

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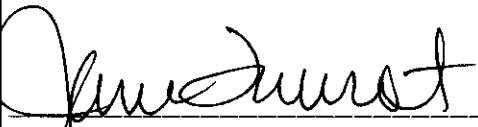
CERTIFICATE OF REPORTERS

WE, JANE FAUROT, RPR, and LINDA BOLES, RPR, CRR, Official Commission Reporters, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.



IT IS FURTHER CERTIFIED that we stenographically reported the said proceedings; that the same has been transcribed under our direct supervision; and that this transcript constitutes a true transcription of our notes of said proceedings.

WE FURTHER CERTIFY that we are not a relative, employee, attorney or counsel of any of the parties, nor are we a relative or employee of any of the parties' attorneys or counsel connected with the action, nor are we financially interested in the action.

DATED THIS 21ST DAY OF APRIL, 2008.



JANE FAUROT, RPR
FPSC Official Commission
Reporter
(850) 413-6732

 / by 

LINDA BOLES, RPR, CRR
FPSC Official Commission
Reporter
(850) 413-6734

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2 debate? We have a motion and a second on the floor. We are in
3 debate. Any final debate? No debate.

4 The motion is to accept the staff recommendation with
5 the understanding that we have verbalized here in the context
6 of conversations with the parties and OPC. All those in favor,
7 let it be known by the sign of aye.

8 COMMISSIONER McMURRIAN: Aye.

9 COMMISSIONER EDGAR: Aye.

10 COMMISSIONER SKOP: Aye.

11 CHAIRMAN CARTER: Aye.

12 All those opposed, like sign.

13 COMMISSIONER ARGENZIANO: Aye.

14 CHAIRMAN CARTER: Show it done. We are now on Item
15 22.

16 MR. JAEGER: Mr. Chairman.

17 CHAIRMAN CARTER: Yes, sir.

18 MR. JAEGER: Ralph Jaeger with legal staff. I want
19 to make sure --

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2 recommendation as to the appropriate rate structure, and it
3 would be revenue neutral. Is that what we -- it would be after
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5 were agreeing to.

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7 help him write the order?

8 **MR. WILLIS:** I believe I can help him write the
9 order.

10 **CHAIRMAN CARTER:** Good.

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STATE OF FLORIDA)

 :
COUNTY OF LEON)


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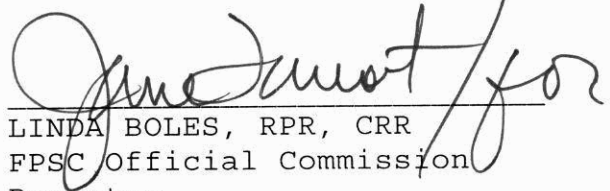
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WE FURTHER CERTIFY that we are not a relative, employee, attorney or counsel of any of the parties, nor are we a relative or employee of any of the parties' attorneys or counsel connected with the action, nor are we financially interested in the action.

DATED THIS 25th DAY OF APRIL, 2008.



JANE FAUROT, RPR
FPSC Official Commission
Reporter
(850) 413-6732



LINDA BOLES, RPR, CRR
FPSC Official Commission
Reporter
(850) 413-6734

Item No. 21
 Hand-out by
 070414-WS
 Office of Public
 4/8/08 Council Agenda Conference
 Recomm -ac

Hidden Cove, Ltd.
 Water & Wastewater Rates
 Docket 070414-WS

| | <u>Original Rates</u> | <u>Pre-Repression Rates</u> | <u>Post Repression Rates</u> |
|---|-----------------------|-----------------------------|------------------------------|
| <u>Water Residential</u> | | | |
| Base Facility Charge All Meters: | \$7.92 | \$9.34 | \$8.59 |
| Gallage Charge - Per 1,000 gal | | | |
| 0 to 5 k gals | \$0.00 | \$1.32 | \$2.14 |
| above 5 k gals | | | |
| <u>Water Typical Residential Bills</u> | | | |
| 3,000 Gallons | \$7.92 | \$13.30 | \$15.01 |
| 5,000 Gallons | \$7.92 | \$15.94 | \$19.29 |
| 6,000 Gallons | \$7.92 | \$17.26 | \$21.43 |
| 10,000 Gallons | \$7.92 | \$22.54 | \$29.99 |
| <u>Water Bills % Increase Over Original Rates</u> | | | |
| 3,000 Gallons | - | 67.93% | 89.52% |
| 5,000 Gallons | - | 101.26% | 143.56% |
| 6,000 Gallons | - | 117.93% | 170.58% |
| 10,000 Gallons | - | 184.60% | 278.66% |
| <u>Wastewater Residential</u> | | | |
| Base Facility Charge All Meters: | \$7.79 | \$13.96 | \$12.20 |
| Gallage Charge - Per 1,000 gallons (6,000 gallon cap) | \$0.00 | \$2.93 | \$4.04 |
| <u>WW Typical Residential Bills</u> | | | |
| 3,000 Gallons | \$7.79 | \$22.75 | \$24.32 |
| 5,000 Gallons | \$7.79 | \$28.61 | \$32.40 |
| 6,000 Gallons | \$7.79 | \$31.54 | \$36.44 |
| 10,000 Gallons Max bill (Wastewater Cap - 6 k Gals) | \$7.79 | \$31.54 | \$36.44 |
| <u>WW Bills % Increase Over Original Rates</u> | | | |
| 3,000 Gallons | - | 192.04% | 212.20% |
| 5,000 Gallons | - | 267.27% | 315.92% |
| 6,000 Gallons | - | 304.88% | 367.78% |
| 10,000 Gallons | - | 304.88% | 367.78% |
| <u>Combined WAW Typical Residential Bills</u> | | | |
| 3,000 Gallons | \$15.71 | \$36.05 | \$39.33 |
| 5,000 Gallons | \$15.71 | \$44.55 | \$51.69 |
| 6,000 Gallons | \$15.71 | \$48.80 | \$57.87 |
| 10,000 Gallons | \$15.71 | \$54.08 | \$66.43 |
| <u>Combined WAW Bills % Increase Over Original Rates</u> | | | |
| 3,000 Gallons | - | 129.47% | 150.35% |
| 5,000 Gallons | - | 183.58% | 229.03% |
| 6,000 Gallons | - | 210.63% | 268.36% |
| 10,000 Gallons | - | 244.24% | 322.85% |