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Electronic Filing

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b. Docket No. 100330-WS

In Re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

c. Document being filed on behalf of YES COMPANIES, LLC d/b/a ARREDONDO FARMS

d. There are a total 13 pages

e. The document attached for electronic filing is Post-Hearing Statement of Intervener, Yes Companies, LLC D/B/A Arredondo Farms

Thank you for your cooperation and attention to this matter.

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water/wastewater
Rates in Alachua, Brevard, DeSoto, Hardee,
Highlands, Lake, Lee Marion, Orange, Palm
Beach, Pasco, Polk, Putnam, Seminole, Sumter,
Volusia, and Washington Counties by Aqua
Utilities Florida, Inc.

Docket No. 100330-WS

Filed: December 30, 2011

**POST-HEARING STATEMENT OF INTERVENER,
YES COMPANIES, LLC D/B/A ARREDONDO FARMS**

Intervener, Yes Companies, LLC d/b/a Arredondo Farms ("Yes"), submits this
Prehearing Statement.

Issue 1: What is AUF's quality of Service?

Position: *Unsatisfactory.*

Discussion: The customer testimony at the customer service hearings throughout the state, and in particular the testimony at the service hearing in Gainesville on September 12, 2011 ("Gainesville Hearing") demonstrates that the customer service, water quality, and billing practices of Aqua Utilities Florida, Inc. ("AUF") are deplorable, unsatisfactory, and do not warrant a rate increase. Moreover, the evidence overwhelming demonstrates that AUF's quality of service to customers at Arredondo Farms has decreased since the last rate case, as evidenced by a 400% increase in the number of customers who testified at the Gainesville Hearing as compared to the customer service hearing held during the last rate case. TR 1767-1768; Exhibit 346.

Poor Quality of Water

The water provided by AUF is undrinkable to many customers. The water is full of sediment, cloudy, and smells. The water also causes health issues for particular residents. For example, Ms. Denmark, who resides at Lot 2119 at Arredondo Farms, testified that Aqua's water made her physically sick. Gainesville Hearing, page 41. Mr. Miller, who resides at Lot 2205 at Arredondo Farms, testified that the lack of water pressure causes medical issues for his diabetic wife. In particular, Mr. Miller testified that his "wife is diabetic and she doesn't feel the heat like everybody else, so she has to be really careful .. I have to take a shower before her due to the fact of worrying about burning herself ... That's how bad the pressure is." Gainesville Hearing, page 56. The lack of pressure is due to the excessive sedimentation in the distribution pipes caused by AUF's poor water quality. TR 1694-1697; Exhibit 14. Ms. Lewis, who resides at Lot 2639 at Arredondo Farms, testified that the poor quality and excessive sedimentation clogs the lines in her oxygen machine that she needs to breathe. Gainesville Hearing,

page 75. Ms. Filer, who resides at Lot 2016 at Arredondo Farms, testified that the water provided by Aqua smells bad, similar to the odor of smelly feet. Further, she testified that the poor water affects her children's health. In particular, her three year old does not want to take a bath in the water and her ten year old's medical condition of Eczema flares up after contact with Aqua's water. According to Ms. Filer, "there's no rash there but they're constantly saying that they itch, they itch, they're itching ... so when that's going on, to me that's a problem." Gainesville Hearing, page 89-90.

YES' employees Mallory Starling and Mike Green testified on excessive sedimentation caused by AUF's poor water quality. Bags of sediment have been removed from piping and water heaters. Heating elements that are only months old have been destroyed by sedimentation. Gainesville Hearing, page 131-136; 159-162. The excessive sedimentation is documented in photographs introduced into evidence. Exhibit 14. Mr. Green further testified that due to this excessive sedimentation he has had to replace heating elements more than once in a 2-week period. Gainesville Hearing, page 160. This is consistent with the testimony of Mr. Davis, who resides at Lot 46 at Arredondo Farms, who testified that he cannot wash his car with Aqua's water because it will turn the car white. Gainesville Hearing, page 50-51.

The evidence at the technical shows that AUF has been on notice for years of excessive sedimentation and hard water at Arredondo Farms, but failed to take any action to remedy the problem. At the customer service hearing in Gainesville during the last rate action, 6 of 9 customers testified about excessive sedimentation, yet AUF did nothing to address these issues once AUF was awarded its rate increase. TR 1688. Although AUF represents that Arredondo Farms will be included in Phase Two of its Aesthetic Improvement Program, the testimony at the technical hearing demonstrates that AUF intends to seek yet another rate increase for Phase Two. TR 255. In essence, AUF is requesting that the Commission grant the current rate increase merely on a promise by AUF to improve water quality at Arredondo Farms even though AUF has demonstrated a consistent failure to address water quality issues once a rate increase is granted. AUF should not be granted a rate increase unless and until water quality at Arredondo Farms is improved rather than giving AUF a rate increase on the promise to improve water quality. In fact, it is only YES' intervention in this rate action that has compelled AUF to even consider attempting to address the water quality at Arredondo Farms.

AUF testified that AUF has no scale to measure hardness and never has had such a scale. TR 1690. Meanwhile, the United States Geological Survey contains such a scale which provides a scale of soft, slightly hard, moderately hard, hard, and very hard with anything over a measurement of 180 being categorized as "very hard." Exhibit 348. Further, the one and only time AUF in its history tested for hardness at Arredondo Farms, the hardness was measured at 320, nearly twice the amount that categorizes water as "very hard." Exhibit 347. Finally, AUF admitted that Arredondo Farms' water fails to meet American Water Works Association's ("AWWA") Statement of Policy on Public Water Supply Matters in relation to "excessive encrustations." This is in spite of the fact AUF and AUF's Chief Environmental Officer, Preston Luitweiler, are both lifetime members of the AWWA. TR 1690-1697; Exhibit 349.

Deficient Customer Service

The evidence is overwhelming that AUF provides substandard and deficient customer service. In particular, the testimony at the Gainesville Hearing makes clear that AUF's customer service representatives serving Arredondo Farms are particularly rude and condescending. For example, Mr. Burke, who resides at Lot 131 at Arredondo Farms, testified that he has "never, ever in my life encountered people as rude as Aqua has working for them ... and the only thing I can surmise from that is they're doing it just to make you mad enough to get off the phone and they don't have to deal with your problem." Gainesville Hearing, page 64. Mr. Young, who resides at Lot 2417 at Arredondo Farms, testified that "I've worked customer service for both Direct TV and Dell Computers, and if I talked to those customers the way we get talked to when we call in, I'd have been fired on the spot." Gainesville Hearing, page 157. This is consistent with the testimony of AUF employee Steve Grisham, who revealed the true feelings of AUF toward its residents at Arredondo Farms by testifying that it is "common knowledge" at AUF that Arredondo Farms is a "bad neighborhood" full of "crackheads" and "drug people." Grisham Deposition, page 19, 66.

Bad Billing Practices

Again, the testimony from the Gainesville Hearing and other customer service hearings demonstrate that AUF's billing practices are woefully unsatisfactory. Customers testified regarding high and exaggerated bills, charges for services they did not consume, and unfair and punitive water shut offs. For example, Mr. Conrad, who resides at Lot 151 at Arredondo Farms, testified that he will not receive a bill from AUF for a given month and then receive a "two months bill" the next month. Gainesville Hearing, page 126. Mr. Bowers, who resides at Lot 23 at Arredondo Farms, testified that his water was shut off by AUF when he got behind in his bill and he was not offered a payment plan by AUF. He further testified that he had to fill buckets of water from a friend's home for two months to meet his daily water needs. He stated this should be a rate reduction hearing, not a rate increase hearing. Gainesville Hearing, page 153. The testimony of AUF employee Steve Grisham confirms the high number of billing errors at Arredondo Farms. Mr. Grisham testified at his deposition that he receives more complaints about the cost of water at Arredondo Farms than any other property in the County. Grisham Deposition, page 64. He also testified that at least some of these billing errors can be traced back to AUF. Grisham Deposition, 100.

Issue 2: What, if any, additional actions should be taken by the Commission based on AUF's quality of service?

Position: *AUF's return on equity should be reduced by 1% for its failure to provide satisfactory customer service and quality product. Additionally, the Commission should disallow a portion of executive salaries and the requested rate case expense.*

Issue 3: What is the appropriate amount of pro forma plant, and related depreciation and property taxes, for the following specific protested pro forma plant projects; Breeze Hill Wastewater I&I Project, Lake Josephine and Sebring Lakes AdEdge Water Treatment

Project; Leisure Lakes AdEdge Water Treatment Project; Peace River Water Treatment Project; Tomoka View Twin Rivers Water Treatment Plant Tank Lining Project; Sunny Hills Water System Water Tank Replacement Project?

Position: *Yes defers to the position of the Office of Public Counsel (the "OPC") on this issue.*

Issue 4: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested water treatment and related facilities of Arredondo Estates, Arredondo Farms, Breeze hill, Carlton Village, East Lake Harris/Friendly Center, Fern Terrace, Hobby Hills, Interlachen/Park Manor, Lake Josephine/Sebring Lakes, Picciola Island, Rosalie Oaks, Silver Lake Estates/Western Shores, Tomoka View, Twin Rivers, Venetian Village, Welaka, and Zephyr Shores?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 5: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested water distribution systems of Arredondo Estates, Beecher's Point, Breeze Hill, Gibsonia Estates, Interlachen/Park Manor, Kingswood, Oakwood, Orange Hill/Sugar Creek Palm Port, Palms Mobile Home Park, Peace River, Piney Woods, Ravenswood, River Grove, Rosalie Oaks, Silver Lake Estates/Western Shores, Silver Lake oaks, Skycrest, Stone Mountain, Sunny Hills, The Woods, Twin Rivers, Venetian Village, Village Water, Welaka, and Wootens?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 6: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested wastewater treatment and related facilities of Arredondo Farms, Breeze Hill, Fairways, Florida Central Commerce Park, Holiday Haven, Jungle Den, Kings Cove Leisure Lakes, Morningview, Palm Port, Peace River, Rosalie Oaks, Silver Lake Oaks, South Seas, Summit Chase, Sunny Hills, The Woods, Valencia Terrace, Venetian Village, and Village Water?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 7: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested wastewater collection systems of Beecher's Point, Breeze Hill, Fairways, Holiday Haven, Jungle Den, Peace River, Rosalie Oaks, Silver Lake Oaks, Sunny Hills, The Woods, and Village Water?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 8: Should any adjustments be made to Deferred Rate Case expense? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 9: What is the appropriate Working Capital allowance? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 10: What is the appropriate rate base for the April 30, 2010, test year? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 11: What is the appropriate amount of accumulated deferred taxes to include in the capital structure? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 12: What is the appropriate Commission-approved leverage formula to use in the case?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 13: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 14: What are the appropriate billing determinants for the test year?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 15: What is the appropriate amount of test year revenues? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 16: Should adjustments be made to the allocation methodology used to allocate costs and charges to AUF by Aqua America, Inc. and its affiliates?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 17: Should any adjustments be made to affiliate revenues, costs and charges allocated to AUF's systems?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 18: What is the appropriate amount of Corporate Information Technology ("IT") charges allocate to AUF by its parent, Aqua America, Inc.?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 19: Should any adjustments be made to Incentive Compensation?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 20: Should any adjustments be made to Salaries and Wages – Employees expense?

Position: *AUF's executive salary increases are unjust and unreasonable and, therefore, should be decreased. Further, Yes defers to the position of the OPC on this issue.*

Discussion: AUF from 2008-2010 unjustifiably greatly increased the salaries of its Executive officers and now seeks to impose these costs upon the rate payers when the rate payers' utility rates are already unaffordable. In fact, from 2008-2010, AUF incurred more than \$1.4 million in increased salaries for just two Executives: Nicholas DeBenedictis (AUF's Chief Executive Officer) and Christopher H. Franklin (AUF's Regional President – Midwest and Southern Operations and Senior V.P Corp. and Public Affairs). Mr. DeBenedictis' salary increased from \$2,336,644.00 to \$3,525,117.00, or in other words by \$1,188,473.00 or 66%. Meanwhile, Mr. Franklin's salary increased from \$388,763.00 to \$626,688.00, or in other words, by \$237,925.00 or 62%. TR 136-137; Exhibit 285 (page 32). In years in which this nation has been experiencing one of the greatest economic downturns since the Great Depression, AUF is increasing the salary of its Executives by over 60% and hundreds of thousands of dollars and than seeking a rate increase for the same. This is simply egregious and unreasonable.

Moreover, the egregious nature of the Executive salary increases is highlighted by the fact that these Executives have failed in some of the very objectives set by AUF for these Executives yet their salaries greatly increased. Mr. DeBenedictis' objectives include customer and revenue growth and customer service improvement. Meanwhile, Mr. Franklin's objectives also include customer and revenue growth and water quality improvement. Exhibit No. 285 (page 25). AUF admitted that at the technical hearing that customer and revenue growth have both declined under Mr. DeBenedictis' and Mr. Franklin's watch. In fact, part of the reason AUF now seeks a rate increase is due to a decrease in customer and revenue growth; however, adding insult to injury, AUF also seeks increased compensation for the very same Executives who were in charge of increasing customer and revenue growth and failed to do so. TR. 137-138. Moreover, customer service and water quality has, as outlined in the discussion section for Issue No. 1, not improved, but rather significantly declined or has made no progress whatsoever, yet AUF's Executives' salaries have increased nevertheless. Consequently, AUF should not be awarded a rate increase due to AUF's own decision to increase its Executives' salaries even though these Executives failed to meet AUF's own employment objectives.

Issue 21: Should any adjustments be made to Bad Debt expense?

Position: *AUF's bad debt expense is exacerbated by its own faulty and defective management and, therefore, should be discounted. Further, YES would defer to any position of the OPC on this issue.*

Discussion: AUF's poor water quality, poor customer service, bad billing practices, and unaffordable rates all contribute to and exacerbate a bad debt expense by compelling customers to default on their AUF bills and vacate properties where AUF supplies water and wastewater services for alternative housing that offers more affordable utility rates while providing a higher quality of water, efficient customer service, and effective billing practices. In fact, even AUF's own witness, Stan Szczygiel, admitted that payment plans allegedly offered by AUF for backbilling errors caused by AUF in the monthly amounts of \$25-\$40 could be a hardship on residents who are living paycheck to paycheck. TR 141-142. As a result, AUF's excessive bad debt expense is merely a result of AUF's own mismanagement and, therefore, should be discounted. YES specifically refers to its discussion on Issues 1 and 31A in this regard and hereby reincorporates and realleges those discussions into this Issue 21 as if fully stated herein.

Issue 22: What is the appropriate amount of rate case expense?

Position: *AUF's alleged rate case expense is overstated, excessive, and entirely unreasonable.*

Discussion: The evidence is overwhelming that AUF's rate case expense is exorbitant and unreasonable. In particular, the testimony of AUF witness Stan Szczygiel demonstrates that AUF's internal time, both legal and otherwise, is wholly unjustified and not properly documented to the extent that all of AUF's internal time should be deemed unreasonable and not compensable. Further, AUF's external legal bills do not meet the reasonableness requirement and merit a reduction in the amount of rate case expense to which AUF is entitled. The evidence mandates this result on four separate grounds.

First, the average hourly rate of AUF's outside counsel is \$315.00 per hour, while the average hourly rate for attorneys in the State of Florida as stated by the Florida Bar Rate Survey is \$247.00 per hour. TR 1539-1540. The difference of \$68.00 per hour is unreasonable, unjustified, and should be stricken from the rate case expense. AUF sought to distinguish the Florida Bar's survey holding that the specialized nature of retaining counsel for a public utility is different than obtaining counsel on another matter and somehow a dramatic increase of \$68.00 per hour is justified. However, the practice of law consists of numerous specialty practices, including, but not limited to, security litigation, tax advice, class actions, environmental, health care, and land use to name just a few. All of these specialties are encompassed in the Florida Bar Rate Survey. Further, AUF employed the Florida Bar Rate Survey to justify the rates of its in-house attorneys who are, as testified to by AUF, highly qualified and specialized in public utility law. In fact, Kimberly Joyce, AUF's in-house attorney and Manager of Regulatory Issues, graduated from Villanova, a top-tier school, with a law degree and MBA, clerked for Judge Collins, the Chief Judge and Head of Pennsylvania's statewide Appellate Courts, worked for Baker & Potts, LLP, a global firm of 725 attorneys, and worked for five years

for the Pennsylvania Public Service Commission before coming to work for AUF. Therefore, AUF was able to obtain specialized, highly-qualified, public utility in-house counsel for well within the Florida Bar Rate Survey hourly rate. TR 1541-1542. Therefore, it is reasonable that AUF could have obtained effective public utility counsel in Florida within the average rates published by the Florida Bar Rate Survey.

Second, the record is clear that the attorney fee statements submitted by AUF's outside counsel include a number of improper, vague "block bills," wherein a single time entry encompasses multiple tasks without distinguishing how much time was spent on each task. TR 1545-1547; *see e.g.* Exhibit SS12, page 24562. Without such detail, it is impossible to determine whether the time spent on a particular task is reasonable. AUF's outside counsel, seeming to recognize this fact, began inputting proper time entries in August 2011, around the time of the appeal of the PAA Order. TR 1550. This demonstrates that AUF recognized that its prior method of billing was improper and would not meet the threshold for reasonableness. AUF bears the burden of proving that its rate case expense is reasonable and such block billing practices are *per se* unreasonable and merit a reduction in the hours of attorney fee time awarded to AUF. *Tamar Diamonds, Inc. v. Splendid Diamonds, LLC*, 2011 U.S. Dist. LEXIS 10313 (S.D. Fla. 2011); *Four Green Fields Holdings, LLC v. Four Green Fields, an Irish Pub*, 2011 U.S. Dist. LEXIS 126707 (M.D. Fla. 2011).

Third, the evidence is undisputed that AUF's in-house counsel and employees failed to provide contemporaneous descriptions of the tasks they allegedly performed in this rate case. TR 1547-1549. These employees consist of Brian Devon, Kimberly Joyce, Kelly Burns, Marry Hopper, Nameer Bhatti, Allison McVicker, and Alex Stahl. Cross examination of AUF's witnesses demonstrates that these employees merely billed time to the rate case file, but gave absolutely no description for the time allegedly worked. It was not until approximately 18 months later, and only to justify AUF's rate case expense, that AUF prepared a document attempting to assign specific tasks to the time entries. TR 1556. In other words, specific tasks were not included in any time billed to the rate case by AUF's employees until 18 months later and only to justify having the rate payers pay for this improperly documented time. Further, even the task descriptions that were placed into AUF's billing 18 months later were vague, ambiguous, and redundant relying heavily on generic entries such as "preparing and reviewing discovery" and failed to provide meaningful information on what particular task was performed. Obviously, such descriptions are without any real merit or usefulness and cannot be employed to judge the reasonableness of the alleged task performed. TR 1557.

Fourth, AUF's documentation submitted to justify its rate case expense includes numerous duplicative time entries. TR 1559. In particular, a review of the bills submitted reveal the following: AUF's outside consultants, Timothy Ward and Ronald Pasceri, billed tens of thousands of dollars to prepare discovery responses; thereafter, AUF's in-house counsel, Kimberly Joyce and Mary Hopper, billed tens of thousands of dollars to review these discovery responses; and, finally, AUF's outside counsel once again billed tens of thousands of dollars to review the same discovery responses. AUF should not be allowed to churn this file at the expense of Florida's rate payers. This practice is unreasonable and merits a rate reduction.

Issue 23: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 25: What is the appropriate pre-repression revenue requirement for the April 30, 2010, test year? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 26: What are the appropriate rate cap thresholds to be used to cap residential customer bills for the water and wastewater systems? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 27: What are the appropriate rate structures for the Utility's water and wastewater systems? (Fallout Issue).

Position: *Yes defers to the position of the OPC on this issue.*

Issue 28: What is the appropriate level of rate consolidation for the water system in this case? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 29: What is the appropriate level of rate consolidation for the wastewater systems in this case? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 30: What are the appropriate resulting repression adjustments for this Utility? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 31: What are the appropriate monthly rates for the water and wastewater systems for the Utility? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 31A: Are the resulting rates of affordable within the meaning of fair, just and reasonable pursuant to Sections 367.081 and 367.121, Florida Statutes?

Position: *The cost of water and wastewater service provided by AUF to customers at Arredondo Farms is unaffordable for those customers in comparison to the cost and service provided by other utility providers in the Gainesville market and as a whole when

compared to the local housing market. Accordingly, Arredondo Farms should be moved to a lower tier for water and wastewater service.*

Discussion: The Commission heard compelling evidence that the cost of AUF water and wastewater at Arredondo Farms far exceeds the cost of similar service provided by other utility providers in the Gainesville market and is unaffordable when compared to the local Gainesville housing market. In particular, the direct testimony of YES witness Shawn Harpin, which was not contradicted by AUF, provides that an average customer of AUF residing at Arredondo Farms pays approximately \$135-150 for AUF's water and wastewater services. Mr. Harpin further testified that this figure is \$76 higher per month than an existing utility operator in the Gainesville market. Further, Mr. Harpin explained that lot rent at Arredondo Farms averages only \$270 per month and a mobile home and lot together rent for only \$630 per month. Therefore, an average resident at Arredondo Farms pays water and wastewater bills to AUF which represent 55% of their entire lot rent or 21% of their entire home rent respectively. As a result, AUF's rates are a major portion of a resident's overall housing expense. Shawn Harpin Testimony, page 5. As a result, of AUF's excessive rates, customers of AUF residing at Arredondo Farms are simply priced out of the housing market in Gainesville.

Furthermore, extensive evidence was taken regarding the deleterious effect that AUF's exorbitant and locally-unaffordable rates are having on the Arredondo Farms community and housing market. For example, at the Gainesville Hearing, YES employee Mallory Starling presented photographs of mobile homes that had been removed from the community by their owners due to the fact that they could no longer afford the cost of AUF service. Ms. Starling also presented a photograph of a home that was literally torn down and thrown into a dumpster when the owner could not afford to pay their AUF bills and the home could not be moved due to its age. Gainesville Hearing, page 133; Exhibit 14, Bates 25-27; TR 1841-1843. Finally, YES employee Shawn Harpin testified that since the beginning of 2011, 59 residents have left Arredondo Farms and of those, 35, or 59%, cited AUF's rates and service as the reason they vacated. Shawn Harpin Testimony, page 6; Exhibit 139; TR 1841. Simply stated, AUF is pricing its own customers out of the Gainesville housing market and, consequently, AUF is losing customers which leads to higher bad debt expense and default among customers and lower revenues for AUF.

YES was the only party and only property to put on evidence regarding the cost of AUF service to that of other utility providers in the same market and the harmful effects of AUF's exorbitant pricing in relation to the local housing market. This fact should not be ignored by this Commission. As a result, if there is any rate increase granted to AUF, the Commission should consider the fact that the water and wastewater rates currently in effect at Arredondo Farms are already unaffordable in the local housing market and reduce Arredondo Farm's rate tier so that the rates for Arredondo Farms will be more affordable as compared to the local housing market. Such a reduction in the rate tier paid by Arredondo Farms will benefit not only the rate payers of Arredondo Farms, but also AUF and all other rate payers in that AUF will be able to maintain more residents at Arredondo Farms and thereby increase its revenue and decrease its bad debt expense.

AUF has never performed any sort of market study of the affordability of its rates in the individual geographical regions in which AUF provides water and wastewater services. TR. 138-140. This is in spite of the fact that part of AUF's "Industry Mission" is to "provide quality and reliable water service at an affordable price to customers, while earning a fair return for shareholders." Exhibit 287 (page 2). In fact, it is obvious from AUF's 2010 Annual Report and, in particular, the section on Rate Case Management Capability, that AUF is more interested and touts its experience in managing and pursuing rate cases as a business strategy rather than providing a quality product at an affordable price. Exhibit 287 (page 3).

Finally, it should be noted that AUF witness Stan Szczygiel attempted to discredit Mr. Harpin's testimony by testifying in his prefiled rebuttal testimony that YES is in the water and wastewater business and, therefore, is merely attempting to harm AUF and seize its water and wastewater business at Arredondo Farms. However, upon cross-examination, Mr. Szczygiel admitted that he had no basis or evidence whatsoever to support such testimony. TR 1537-1539. In fact, Mr. Szczygiel admitted that he was not aware of the fact that for every park that YES owns in which YES controls a water or wastewater facility, the services provided are either a pass through with no profit or they provide the water and wastewater services as part of the rent regardless of a customer's usage. As a result, Mr. Szczygiel was compelled to change his rebuttal testimony to state that he has no knowledge of whether YES is in the water or wastewater business and, therefore, his written rebuttal testimony in that regard was false. TR 1538. This is highly relevant in that it goes to the credibility of Mr. Szczygiel and his entire testimony. This is especially true in light of the fact that at the beginning of Mr. Szczygiel's rebuttal testimony he was given a chance by his counsel to correct or revise his rebuttal testimony, revised the same by adding to AUF's rate case expense, but never revised or corrected his false testimony on YES. TR 1448-1449. Mr. Szczygiel only corrected his false testimony on YES when compelled to do so on cross-examination.

Issue 32: What are the appropriate allowances for funds prudently invested charges for the Utility's Breeze Hill wastewater treatment plant? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 33: What are the appropriate customer deposits for the Utility? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 34: What is the appropriate four-year rate case expense reduction for Docket No. 080121-WS? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 35: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 36: In determining whether any portion of the implemented PAA rates should be refunded, how should the refund be calculated, and what is the amount of the refund, if any? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 37: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense for the instant case as required by Section 367.0816, F.S.? (Fallout Issue)

Position: *Yes defers to the position of the OPC on this issue.*

Issue 38: In accordance with order No. PSC-10-0707-FOF-WS, what is the amount and who would have to pay the regulatory asset (or deferred interim revenues), if it is ultimately determined by the Commission that the Utility was entitled to those revenues when it first applied for interim rates?

Position: *Yes defers to the position of the OPC on this issue.*

Issue 39: Should this docket be closed?

Position: *Yes defers to the position of the OPC on this issue.*

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY a true and correct copy of the foregoing has been furnished via email (where provided below) and U.S. Mail on December 30, 2011 to:

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