

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in water and  
wastewater rates in Charlotte, Highlands, Lake,  
Lee, Marion, Orange, Pasco, Pinellas, Polk,  
and Seminole Counties by Utilities, Inc. of Florida

---

Docket No. 160101-WS

DIRECT TESTIMONY

OF

JOHN P. HOY

on behalf of

Utilities, Inc. of Florida

RECEIVED-FPSC  
2016 AUG 31 AM 11:17  
COMMISSION  
CLERK

1 **Q. Please state your name, position and business address.**

2 A. My name is John Hoy. I am President of Utilities, Inc. of Florida (UIF) and my business  
3 address is 200 Weathersfield Ave., Altamonte Springs, FL 32714.

4 **Q. State briefly your educational background and experience.**

5 A. I have a Bachelors Degree in Civil Engineering and a Masters of Business Administration  
6 both from Marquette University. I have over 30 years of experience in the utility industry,  
7 including gas, electric and water companies, the last eight years of which have been with  
8 Utilities, Inc. I joined UI in 2006 as the Regional Vice President of the Florida and  
9 Louisiana region. Since that time, I have served as the Chief Regulatory Officer for UI  
10 and subsequently the Chief Operating Officer before assuming my current position as  
11 President of the Florida companies in 2012. My professional background is described in  
12 more detail in Exhibit JPH-1.

13 **Q. What is the purpose of your testimony?**

14 A. The primary purpose of my testimony is to provide an overview of our rate request filing  
15 and to introduce our witnesses. I will also summarize UIF's request for rate relief and  
16 generally describe the factors contributing to the need for rate relief. As our witnesses will  
17 further describe in greater detail, we must now seek rate relief to further sustain our  
18 customer service and make infrastructure investment to provide safe and reliable service  
19 to our customers now and into the future.

20 **Q. Please provide an overview of your case for rate relief?**

21 A. UIF has been providing water and wastewater service in Florida for 40 years and is  
22 currently the largest PSC regulated water and wastewater utility in the state. We currently  
23 provide service to over 60,000 water, wastewater, and reuse Equivalent Residential  
24 Connections (ERCs) spread over 15 systems in 10 Florida counties. Consequently, we  
25 have the consistent responsibility to upgrade our infrastructure and make necessary

1 improvements to ensure continued quality service, compliance with changing  
2 environmental regulations, and to fulfill our overall obligation to serve. To that end, we  
3 have invested over \$100 million in capital improvements over the past decade. In addition,  
4 our expenses continue to increase. In effect, our rate of return on equity is well below the  
5 allowed return of 10.4% and we have not earned our allowed return as a consolidated  
6 company at any time in the past 10 years. Our current rates will not be adequate to cover  
7 our cost of providing service. Having the ability to earn the allowed return on investment  
8 is critical to attracting the capital for infrastructure improvements in the state. For this  
9 reason, we are requesting a revenue increase in this filing that will provide the opportunity  
10 to earn the authorized return.

11 **Q. Why is infrastructure investment important at this time?**

12 A. In their 2016 report card for America's Infrastructure, the American Society of Civil  
13 Engineers (ASCE) gives Florida a grade of C+ for water and wastewater gets a C. A "C"  
14 grade is defined as "mediocre" which is a serious problem for a state where water is a  
15 critical part of the economy and a necessary component of future growth. The U.S.  
16 Environmental Protection Agency estimates that Florida will need to spend about \$16.5  
17 billion in drinking water infrastructure improvements alone over the next 20 years to ensure  
18 that drinking water systems in Florida continue to provide safe and reliable drinking water  
19 to the public. Significant investment will also be required on the wastewater side. At UIF,  
20 we face these same challenges with a number of our communities developed over 40 years  
21 ago which means that the original infrastructure is nearing the end of its useful life. In  
22 addition to the aging infrastructure we have the challenge of meeting constantly evolving  
23 EPA regulations and other standards with respect to water and wastewater treatment.  
24 Upgrades to water and wastewater plants are required to meet these new standards which  
25 include not only environmental regulations but also new state statutes impacting the quality

1 of water and wastewater service provided to customers. UIF is committed to meeting these  
2 standards and has the access to capital in order to make the necessary capital investments.  
3 But the utility must also have the opportunity to earn its allowed return on investment in  
4 order to continue to attract the capital for the necessary projects in the future.

5 **Q. What can UIF do to temper the rate impact to customers?**

6 A. With over 60,000 ERCs across the state, UIF has the opportunity to spread the risk of large  
7 investments over a broader customer base. Effective January 1, 2016, we consolidated our  
8 12 regulated Florida utilities into one company, Utilities, Inc, of Florida. However, there  
9 continue to be 15 different rate structures based on the old company structure. The  
10 customer base for some of the rates is less than 500 ERCs which means that a large capital  
11 project will have a significant impact on rates. We have already seen that in some of our  
12 recent filings. None of our systems, large or small, will be immune from infrastructure  
13 upgrades so all would benefit from a consolidation of the rates into one uniform rate across  
14 the state. This would serve to reduce the potential for dramatic changes in rates for any  
15 one group of customers. Mr. Guastella will provide more justification for this proposal in  
16 his testimony.

17 **Q. What policies would support the investments needed to secure Florida's water  
18 future?**

19 A. The Florida Department of Environmental Protection has estimated that total water demand  
20 in the state will increase by more than 20% or 1.3 billion gallons per day by 2030. Securing  
21 new sources of supply and adding the treatment and delivery infrastructure to meet this  
22 demand will be critical to Florida's economic future. As the largest private water and  
23 wastewater utility in the state, UIF is in a unique position to assist in that challenge. One  
24 policy position, however, that could be in conflict with that objective, is the application of  
25 the Used & Useful (U&U) rule for water and wastewater utilities. As I understand it, the

1 rule was initially adopted to insure that facilities were not overbuilt and that current  
2 customers do not have to pay for construction of significant capacity that was built for  
3 future demand. Today, we face new challenges as I have described above. Like all  
4 industries keeping up with population and usage demand, policies that inhibit prudent  
5 investment are no longer appropriate. Prudent investments that are incrementally less  
6 expensive to construct now should be encouraged as smart long term planning and in the  
7 best interest of the consumer. The Legislature and the PSC recognized that issue in the  
8 adoption of a 100% U&U policy for reuse investments and that same thinking should be  
9 applied to other prudent water and wastewater investments.

10 **Q. What policies would help with future rate impacts to customers?**

11 A. Florida is recognized nationally as having a number of regulatory best practices that allow  
12 for rate adjustments in an efficient and cost effective manner. Annual index filings and  
13 pass through of certain expense items have allowed utilities in the state to keep pace with  
14 at least a portion of the expense increases that we face every year. These mechanisms also  
15 help smooth the increases that customers face over the years. The Legislature appears to  
16 have recognized these benefits with the adoption of SB 534 which will expand the  
17 application of these mechanisms to other expense items. Given that the current drivers of  
18 needed rate relief are more capital related than expense driven, and the need for  
19 infrastructure replacement will assuredly continue, it would be beneficial to both the utility  
20 and the customer to implement mechanisms that allow for the timely pass through of  
21 prudent capital investments as well as expenses.

22 **Q. Who are the other witnesses participating in this case and the nature of their**  
23 **testimony?**

24 A. Jared Deason is sponsoring the billing analysis, allocation schedules and the WSC  
25 Operating Agreement.

1 Deborah Swain will be sponsoring the majority of MFR Volume 1 – Financial, Rate and  
2 Engineering, and the reconciliation schedules.

3 Frank Seidman will sponsor exhibits and present testimony on used & useful.

4 Patrick Flynn will testify and present exhibits regarding the various pro-forma projects.

5 John Guastella will be testifying on rate design, principally consolidated or single tariff  
6 rates.

7 **Q. Does that conclude your direct testimony?**

8 A. Yes, it does.

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for increase in water and )  
wastewater rates in Charlotte, Highlands, )  
Lake, Lee, Marion, Orange, Pasco, Pinellas, )  
Polk, and Seminole Counties by Utilities, Inc. )  
of Florida. )  
\_\_\_\_\_ )

Docket No. 160101-WS

**EXHIBIT JPH-1**

**OF**

**JOHN P. HOY**

**on behalf of**

**Utilities, Inc. of Florida**

### **Education**

- Masters of Business Administration  
Marquette University, Milwaukee, WI
- Bachelor of Science,  
Civil/Environmental Engineering  
Marquette University, Milwaukee, WI

### **Affiliations / Membership**

- National Association of Water  
Companies, Former Board Member
- Registered Professional Engineer,  
State of Wisconsin

### **Employment Profile**

- **UTILITIES, INC. (A MEMBER OF THE CORIX GROUP OF COMPANIES),**  
(2006-Present)
  - President, Utilities, Inc. Florida
  - Vice President, Chief Operating Officer
  - Vice President, Chief Regulatory Officer
  - Regional Vice President Operations
- **WE ENERGIES** (1998-2005)
  - Manager Major Projects (Electric and Gas Distribution)
  - General Manager Water Services
- **WICOR, INC.** (1989-1998)
  - Director Strategic Planning & Financial Reporting
  - Manager Investor Relations
- **WISCONSIN GAS CO.** (1980-1989)
  - Corporate Planning Analyst
  - Project Engineer

### **Profile**

John Hoy has over 30 years experience in the operations and executive management of gas, electric, water and wastewater utilities. From field operations to financial and strategic planning, he has been involved in all facets of utility operations. And from customer service to regulatory reporting and investor relations, John has worked with the many varied stakeholders in the utility industry. John spent 20 years at Wisconsin Gas focused on rebuilding the utility's distribution system and helping navigate through the deregulation of the industry. While at We Energies, the focus was on the implementation of a \$7 billion dollar infrastructure plan designed to add electric generation capacity and improve reliability. John had responsibility for the reconstruction of the electric distribution system. And for the last 8 years John has been a member of the leadership team at Utilities, Inc. managing 75 companies in 15 states across the US focused on delivering safe and reliable water, wastewater and reclaimed water services to nearly 300,000 customers.

### **Summary of Experience**

#### **Responsibilities at Utilities, Inc.:**

##### **President, Utilities, Inc. of Florida**

- In 2014, John was appointed President of the newly created Florida business unit with full responsibility for all facets of the business in the state.

##### **Vice President, Chief Operating Officer**

- In 2010, the Operations and Regulatory functions at Utilities, Inc. were combined under John's leadership. Responsibilities included a workforce of 350 employees, a capital plan of \$50 million per year and an annual operating budget of over \$100 million.

##### **Vice President, Chief Regulatory Officer**

- In 2007, John joined the UI Executive Team to lead the regulatory team in an effort to file rate cases for all 92 companies at the time in 17 of the United States. This required a significant expansion of the team with a regional focus, the utilization of outside legal and accounting resources and the establishment of good working relationships with the state regulators.

##### **Regional Vice President Operations**

- John joined Utilities, Inc. in 2006 as the RVP of the Southeastern US with responsibility for 30 companies providing water, wastewater and reclaimed water services to over 100,000 customers primarily in Florida and Louisiana.

## **Summary of Experience (Cont'd)**

### **Responsibilities at We Energies:**

#### **Manager Major Projects:**

- Responsible for design and construction of major electric distribution projects with an annual budget of over \$50 million and a workforce of 185 employees plus outside contractors. Also responsible for the planning, design and construction of a new 35 mile gas pipeline which was brought in under the \$97 million budget and ahead of schedule.

#### **General Manager, Water Services:**

- Formed a new business within the utility to construct and operate water delivery systems in new service territories. Responsibility was for the entire business from revenue to net income. This included development and oversight of the sales, construction, finance, legal, and regulatory processes as well as acquisitions.

### **Responsibilities at WICOR, Inc.:**

#### **Director Strategic Planning & Financial Reporting:**

- Managed the strategic planning process for Wisconsin Gas and WICOR at the peak time of deregulation within the energy industry. A plan for unbundling the utility business was developed as well as a switch to productivity based rates. Responsibilities also included oversight of external financial reports filed with regulatory agencies.

#### **Manager Investor Relations:**

- Responsible for managing all activities that dealt with communication between the company and the financial community and all services to WICOR shareholders. This was a new position that involved the creation of an investor relations program and significant travel to meet face to face with current and potential major shareholders as well as financial analysts at brokerage firms, investment managers and credit rating agencies.

### **Responsibilities at Wisconsin Gas Co.:**

#### **Corporate Planning Analyst:**

- Responsible for planning, financial forecasts and economic feasibility studies in all facets of the utility and parent company operations. This included development of rate cases and testimony, evaluation of a new gas supply pipeline (\$30 million) and analysis of automating meters throughout the system (\$28 million).

#### **Project Engineer:**

- Responsible for long-range engineering plans, management of gas distribution construction projects, and a corporate capital budget of \$30 million. Also included the construction of several compressed natural gas fueling stations for internal fleet usage and outside sales.