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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160101-WS

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.

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VOLUME 4  
PAGES 453 THROUGH 699

PROCEEDINGS: HEARING

COMMISSIONERS  
PARTICIPATING: CHAIRMAN JULIE I. BROWN  
COMMISSIONER ART GRAHAM  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER JIMMY PATRONIS  
COMMISSIONER DONALD J. POLMANN

DATE: Tuesday, May 9, 2017

TIME: Commenced at 1:30 p.m.  
Concluded at 5:07 p.m.

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

REPORTED BY: ANDREA KOMARIDIS  
Court Reporter

APPEARANCES: (As heretofore noted.)

PREMIER REPORTING  
114 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
(850) 894-0828

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## EXHIBITS

NUMBER:	ID	ADMITTED
37, 38, 39, 40, 41, 44, 45, 47, 48, 49, 52, 53, 54, 56, 57, 59, 68, 69, 70, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, and 85 (as identified on the Comprehensive Exhibit List)		511
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## P R O C E E D I N G S

1  
2 (Transcript follows in sequence from  
3 Volume 3.)

4 CHAIRMAN BROWN: Good afternoon. We are back  
5 on the record. And Mr. Flynn, I hope you got some  
6 sustenance at the break.

7 THE WITNESS: Yes, ma'am. Thank you.

8 CHAIRMAN BROWN: And I hope -- I hope staff is  
9 prepared to -- we are on staff -- it looks like we  
10 don't have any staff up there. Give them a little  
11 break, and they escape.

12 So, we -- we are currently up on -- staff has  
13 cross for Mr. Flynn, followed by the Commissioners.

14 Mr. Taylor?

15 MR. TAYLOR: All right. We're ready.

## EXAMINATION

16  
17 BY MR. TAYLOR:

18 Q Mr. Flynn, you were asked by OPC about the pro  
19 forma project identified with Exhibit PCF-9. You  
20 confirmed that no exhibit was provided at the time of  
21 filing. Have you since provided this exhibit, since  
22 that time?

23 A Yes, in my rebuttal testimony.

24 Q Okay. You were also asked by OPC about a pro  
25 forma project identified with PCF-12. You confirmed

1 that no exhibit was provided at the time of filing.

2 Have you since provided this exhibit?

3 A Yes.

4 Q Okay. When did you provide it?

5 A In the -- in my rebuttal testimony --

6 Q Okay.

7 A -- that I sent.

8 Q OPC asked about the pro forma project  
9 identified with Exhibit PCF-13. You confirmed that no  
10 exhibit was provided at the time of filing. Have you  
11 provided this exhibit since?

12 A Yes, in my rebuttal testimony.

13 Q Rebuttal.

14 MR. SAYLER: Madam Chair, Public Counsel is  
15 willing to stipulate that all of the exhibits he  
16 didn't provide in his direct testimony he has  
17 provided on rebuttal. That will help things along.

18 CHAIRMAN BROWN: Mr. Taylor, is that okay?

19 MR. TAYLOR: That will work. We were just  
20 going off the record.

21 CHAIRMAN BROWN: Okay.

22 MR. SAYLER: All right. So --

23 MR. TAYLOR: Thank you.

24 BY MR. TAYLOR:

25 Q Can you clarify if any of the exhibits that

1 OPC asked you about that were identified on the  
2 comprehensive exhibit list as having no exhibit filed  
3 with them at the time -- if they were filed in advance  
4 of your rebuttal testimony?

5 A I'm not aware, specifically.

6 MR. TAYLOR: Okay. Thank you.

7 No further questions.

8 CHAIRMAN BROWN: Okay. Commissioners.

9 I have a few questions, Mr. Flynn. I was  
10 trying to look for a chart summarizing all of the  
11 pro forma projects. Do you have something that  
12 really is a summary of all of the different pro  
13 forma projects being requested for each system?

14 THE WITNESS: Yes. I generated a -- a  
15 document that I included with my rebuttal  
16 testimony.

17 CHAIRMAN BROWN: Oh, it's --

18 THE WITNESS: PCF-51.

19 CHAIRMAN BROWN: P- -- PCF-51.

20 THE WITNESS: Yes.

21 CHAIRMAN BROWN: Which -- okay. In that  
22 chart, does it say how the projects are chosen?  
23 Does it say the priority? Give a priority.

24 THE WITNESS: It's simply a list of the  
25 projects, their title, the exhibit number

1 associated with them, the dollar amount for the  
2 project, their estimated completion date, and  
3 status.

4 CHAIRMAN BROWN: Why did -- why did you put it  
5 in the rebuttal and not in the direct?

6 THE WITNESS: It was requested of -- of me in  
7 one of the discovery documents. And I thought it  
8 would be advantageous to put it all together.

9 CHAIRMAN BROWN: Which system has the most pro  
10 forma projects being requested?

11 THE WITNESS: In terms of number of projects?

12 CHAIRMAN BROWN: Number of projects and then  
13 cost, if there's a -- a differential.

14 THE WITNESS: Yeah, Sanlando has the most  
15 number of projects, and also the most dollars are  
16 involved with Sanlando.

17 CHAIRMAN BROWN: What's that amount?

18 THE WITNESS: I don't have the total --  
19 sub- -- subtotal for you, but --

20 CHAIRMAN BROWN: Where would that be in your  
21 testimony?

22 THE WITNESS: It -- it's most- --

23 CHAIRMAN BROWN: Was it in direct or rebuttal?

24 THE WITNESS: -- conveniently on my PCF-51  
25 document. That's the most-convenient place to find

1 it.

2 CHAIRMAN BROWN: Okay. Currently, how does  
3 the utility choose the projects, though, for pro  
4 forma? How did you choose all of those projects.

5 THE WITNESS: The -- the projects were items  
6 identified in our capital plan. And we identified  
7 ones that we felt were obviously prudent to -- to  
8 move forward with and were going to be completed  
9 within a time frame that would -- also would be  
10 within the time constraint within the rules of the  
11 Commission, which is 24 months after the end of the  
12 test year.

13 CHAIRMAN BROWN: Do all of the Utilities, Inc.  
14 sub-companies -- do they all have a capital plan?

15 THE WITNESS: Similar to ours, they have a --  
16 a management team at each business unit that  
17 identifies their capital needs and have a  
18 prioritization process or a methodology to go  
19 through to identify what's going to be built when.

20 CHAIRMAN BROWN: But there's no uniform system  
21 to implementing capital plans across the Utilities,  
22 Inc.'s subsidiaries or companies?

23 THE WITNESS: Well, they are very similar  
24 across the various business units.

25 CHAIRMAN BROWN: Is there a directive, though,

1 from the parent company or even from Utilities,  
2 Inc. directing each company how to develop a  
3 capital plan?

4 THE WITNESS: I would say there's not a -- a  
5 specific directive, but we've developed  
6 collectively, internally, a methodology that works  
7 essentially to accomplish that.

8 CHAIRMAN BROWN: And as part of the  
9 methodology, do you have a respons- --  
10 responsibility to obtain more than one bid, lowest  
11 bids, et cetera?

12 THE WITNESS: Yes. We have a -- a set of  
13 criteria that we follow in putting a package  
14 together -- or a project together. And that is one  
15 of the project requirements is to have at least  
16 three bids in all cases unless there's some  
17 substantial reason why we can't.

18 CHAIRMAN BROWN: Do we have that project  
19 information that you just said -- do we have those  
20 requirements anywhere in the record?

21 THE WITNESS: No.

22 CHAIRMAN BROWN: They weren't requested?

23 THE WITNESS: No. We don't have it written  
24 down in a -- in a formatted way.

25 CHAIRMAN BROWN: So, it's an informal process?

1 THE WITNESS: Well, it's -- it's been  
2 developed over time and it's -- it's got some --  
3 I'm sure there's someone documentation in place.  
4 We follow it -- I've done it so many years, I just  
5 follow without having to refer that document, but  
6 I'm sure there's a document somewhere.

7 CHAIRMAN BROWN: Now, some -- someone was  
8 talking -- one of the witnesses was talking about  
9 develop- -- after this, developing an asset  
10 management system.

11 THE WITNESS: Right.

12 CHAIRMAN BROWN: And what role will you serve  
13 in implementing that system?

14 THE WITNESS: So, the asset management system  
15 is being developed corporate-wide, and that  
16 includes input from all the business units and  
17 our -- we hired a consultant to facilitate some of  
18 the work.

19 We're -- we're implementing a pilot test of  
20 the -- of the tools beginning in roughly the first  
21 of July of this year, which will last about three  
22 months. And I'm responsible for managing the --  
23 the pilot, making sure that it all comes together  
24 in coordination with my staff and also the  
25 business comp- -- the management across the company

1 who are also participating in the core team that's  
2 been developing the program.

3 CHAIRMAN BROWN: And you said that's going to  
4 be implemented -- the asset management system is  
5 corporate-wide. Do you mean Utilities, Inc. of  
6 Florida or Utilities, Inc.?

7 THE WITNESS: So, across the country -- so,  
8 once the pilot test is completed, we'll refine the  
9 framework, the makeup of that tool, those tools.  
10 And then we're going to roll it out to the Florida  
11 systems comprehensively in the fourth quarter of  
12 this year.

13 And then, subsequent to that, we will have  
14 rollout in a domino effect across the rest of the  
15 business units.

16 CHAIRMAN BROWN: So, that asset management  
17 system will be applied to all of the companies,  
18 even those that do not have uniform, consolidated  
19 rates.

20 THE WITNESS: Right. It's going to be a tool  
21 applicable to all of our water-sewer systems in  
22 Florida.

23 CHAIRMAN BROWN: What do you think the  
24 advantage is of that system?

25 THE WITNESS: It offers a way to aggregate a

1 lot of information that's currently disparate.  
2 It's -- it's within the -- the framework of  
3 individual operators and staff and at different  
4 levels of complexity or not present at all in  
5 adequate format that would allow us to aggregate  
6 information and -- and trend information and make  
7 better decisions with that information.

8 CHAIRMAN BROWN: And that will help with your  
9 capital improvement projects?

10 THE WITNESS: That's correct.

11 CHAIRMAN BROWN: How frequently is that  
12 capital improvement projects updated -- that list?

13 THE WITNESS: We review it about every quarter  
14 to understand where we are with the current year's  
15 plan and spending and scheduling. And then we have  
16 a pretty comprehensive update annually to identify  
17 what projects to include in our planning horizon,  
18 which ones we've completed, which ones are to drop  
19 off because they're no longer applicable, whatever  
20 it might be.

21 CHAIRMAN BROWN: So, the projects that are  
22 being requested in this rate case -- when did the  
23 company review them and know that those were the  
24 ones when it filed its MFRs originally? Just  
25 trying to figure out the timing of when you

1 realized the need for all those projects being  
2 requested in the rate case.

3 THE WITNESS: Well, it's an evolving process.  
4 We identified, years ago, some of these projects to  
5 be on our planning horizon. And then, as time  
6 moves on, we're identifying what projects really  
7 are timely to move forward with.

8 So, as we prepare for our capital plan and  
9 execution of a capital plan, it also automatically  
10 involves the process of recovering the capital  
11 investment coincident with that spending. So, they  
12 kind of dovetail together -- they -- we try to  
13 dovetail that together as best we can.

14 CHAIRMAN BROWN: Okay. So, really, the  
15 question that I've had throughout this -- your  
16 testimony today -- was, for the exhibits that you  
17 have on direct, which were not included as an  
18 exhibit to your testimony, but they were referenced  
19 in your prefiled direct testimony -- are the costs  
20 in the exhibit that were later filed in the  
21 rebuttal the same as those referenced in the direct  
22 testimony? Just want full clarification for the  
23 record.

24 THE WITNESS: No, they -- they morphed.

25 CHAIRMAN BROWN: And I -- I know that there

1 have been adjustments and -- I would like a little  
2 further explanation of why.

3 THE WITNESS: So, we have 47 projects that are  
4 pro forma in this filing that we identified that we  
5 would find it prudent to make the investment to  
6 address them and that we could complete them within  
7 the 24-month requirement. And obviously, it would  
8 benefit us operationally and -- and collectively.

9 So, we moved forward to -- to put that  
10 together, and then executed the plan and -- and in  
11 the -- at the same time, we're working to develop  
12 the -- the game plan for our filing, which  
13 eventually occurred in August. There's many months  
14 of discussion ahead of then as to what our recovery  
15 process will be in the rate-case timing and those  
16 kind of things.

17 Does that answer your question?

18 CHAIRMAN BROWN: No.

19 THE WITNESS: Okay. I'm sorry. What was the  
20 question?

21 CHAIRMAN BROWN: The -- you said the costs  
22 morphed from your prefiled --

23 THE WITNESS: Oh, I'm sorry.

24 CHAIRMAN BROWN: Yeah. Yeah. Yeah.

25 THE WITNESS: So, the projects initially are

1 identified in our plan as a placeholder or, in some  
2 cases, more definitively identified in top -- terms  
3 of cost.

4 CHAIRMAN BROWN: Oh, I understand that.

5 THE WITNESS: And then as we go forward, we  
6 get to a point where we're preparing for the MFRs,  
7 which is mid-point of the year or earlier. We file  
8 in August.

9 Many projects at that point in time were in  
10 the -- in the works, but had not yet reached the  
11 critical stage where they were actually executing  
12 contracts. May not have, in fact, been completing  
13 the bid process --

14 CHAIRMAN BROWN: Okay.

15 THE WITNESS: -- or plan development, knowing  
16 that we had some length of time within that 24-  
17 month window to get it all together -- even as well  
18 as, obviously, providing information for purposes  
19 of the rate case.

20 CHAIRMAN BROWN: That's helpful. Thank you.

21 So, when you had these projects that -- that  
22 you mentioned in the queue, but you didn't have  
23 bids yet --

24 THE WITNESS: Correct.

25 CHAIRMAN BROWN: You just estimated a cost.

1 THE WITNESS: Right. In some cases we were  
2 much further along than others.

3 CHAIRMAN BROWN: So, then, when you actually  
4 got a bid, how did you go about that process to --  
5 and -- how did you go about that process to get the  
6 bids after you filed your MFRs?

7 THE WITNESS: So, as individual projects reach  
8 the bid process, reflecting us, prevent- --  
9 completing the planned production process, we  
10 solicit bids from qualified contractors for the  
11 proj- -- project, identify a bid-opening date --  
12 usually about a three- or four-week time period  
13 after we solicit the bids; open the bids on the  
14 same day for all the bids that are submitted.

15 Some people inquire about bidding, but choose  
16 not to. We open the bids, find out who's -- who's  
17 low bid. We rank them. We tabulate the  
18 information. We identify whether, in fact, it  
19 proves accurate. If there's any issues that arise,  
20 we address them.

21 Usually, we take the low bid -- low bidder and  
22 go about the process of awarding the contract.

23 CHAIRMAN BROWN: And you have a team and  
24 who -- who's the ultimate decision-maker on a  
25 contract: Mr. Hoy or you?

1 THE WITNESS: Well, Mr. Hoy -- he's  
2 responsible for the business unit as a whole.

3 CHAIRMAN BROWN: But you sign the contracts.

4 THE WITNESS: I sign contracts up to my  
5 delegated authority level.

6 CHAIRMAN BROWN: Okay. Switching gears to  
7 Summertree and Pasco County, we heard a lot at the  
8 customer service hearings on quality-of-service  
9 levels and with the Pasco County interconnect. And  
10 I know Mr. Sayler asked you a variety of questions  
11 on that front.

12 And in your testimony, you talk about the  
13 pressure loss that is occurring at the master  
14 meter.

15 THE WITNESS: Yes.

16 CHAIRMAN BROWN: Can you explain what the  
17 reasoning is behind that?

18 THE WITNESS: Water passing through the master  
19 meter assembly loses pressure by virtue of the  
20 design of that device. It's a -- has a big  
21 strainer at the beginning. It goes through a -- a  
22 compound meter assembly, which has two different  
23 metering devices that collectively quantify how  
24 much volume is going through.

25 Water passes through that assembly, goes into

1 a back-flow preventer. The back-flow preventer, by  
2 its nature, has about a 10-PSI pressure drop across  
3 it. And from there, it enters the distribution  
4 network.

5 CHAIRMAN BROWN: And how does that affect the  
6 quality of the water, then?

7 THE WITNESS: It doesn't have any effect on  
8 quality. It's just pressure.

9 CHAIRMAN BROWN: When do you see yourself  
10 coming back to the Commission to address the whole  
11 quality-of-service issue with the interconnection  
12 that we keep hearing?

13 THE WITNESS: Well, as soon as you tell us,  
14 we'll be back. But we'll be back when we have a  
15 good handle on the situation and have documentation  
16 to support that position.

17 CHAIRMAN BROWN: When do you think that would  
18 be, roughly? Do you have an estimate?

19 THE WITNESS: The estimate I have today is  
20 that we're going to have a burn that's going to  
21 last about four weeks, six weeks, somewhere in that  
22 range. And obviously, it's our hope and  
23 expectation it will be sooner rather than later.

24 And then we'll have, at that point, some kind  
25 of better understanding of -- of what water quality

1 provided by PCU will be in terms of impacting us  
2 and delivering to our customers.

3 And we'll also have a better understanding of  
4 what our flushing regimen is going to be. It's  
5 hopefully at a much-reduced rate and also able to  
6 maintain a good residual throughout the whole  
7 network.

8 So, I would, you know, say less than two  
9 months we'll have a -- obviously, we'll have a  
10 better handle on the outcome than we have today.

11 CHAIRMAN BROWN: Thank you. And of course,  
12 the Commission would like to be made aware of and  
13 kept informed of -- throughout this process.

14 THE WITNESS: Right. And we have a  
15 commitment, through your last order, to provide the  
16 information back to staff, engineering, just  
17 frequently or periodically.

18 CHAIRMAN BROWN: Uh-huh.

19 THE WITNESS: We'll do that.

20 CHAIRMAN BROWN: You know, Pasco County, I --  
21 know at one point -- or the utility was in  
22 discussions with Pasco County to have Pasco County  
23 acquire the system. Do you know if the utility is  
24 still in discussions?

25 THE WITNESS: Discussions were held, and there

1 was no agreement reached.

2 CHAIRMAN BROWN: So, there are no longer --  
3 there -- there are no more discussions. That is  
4 concluded.

5 THE WITNESS: That's -- not that I'm aware of.  
6 That's really for Mr. Hoy to answer that better  
7 than me, though.

8 CHAIRMAN BROWN: Okay. Thank you.  
9 Commissioners, any other questions?

10 Commissioner Polmann?

11 COMMISSIONER POLMANN: Thank you, Madam  
12 Chairman.

13 Mr. Flynn, I don't have many.

14 CHAIRMAN BROWN: And Commissioner Polmann,  
15 please take your time.

16 COMMISSIONER POLMANN: Thank you, Madam  
17 Chairman. And -- and my colleagues here on the  
18 Bench, I appreciate your patience with me.

19 Mr. Flynn, I understand from your opening  
20 comments that your testimony was to address -- I --  
21 I believe you summarized your direct testimony  
22 dealing with quality of service. And you mentioned  
23 that 18 projects have been completed. Do you  
24 recall saying that?

25 THE WITNESS: Yeah.

1 COMMISSIONER POLMANN: Is that correct, sir?

2 THE WITNESS: Yes.

3 COMMISSIONER POLMANN: You also said that  
4 dozens of projects have already -- I'm sorry --  
5 that a dozen projects will be completed this  
6 quarter; is that correct?

7 THE WITNESS: Yes.

8 COMMISSIONER POLMANN: Did you provide  
9 information to the Commission as to those 18 that  
10 have been completed and the dozen that will be  
11 completed?

12 THE WITNESS: In my rebuttal testimony, PCF-51  
13 document identified the estimated completion date  
14 for each of the projects.

15 COMMISSIONER POLMANN: Thank you.

16 You also identified -- or you summarized this  
17 morning that there are 24 water systems in Florida?

18 THE WITNESS: Yes.

19 COMMISSIONER POLMANN: Thank you.

20 You identified six categories of the pro forma  
21 projects that -- I won't list those here. I just  
22 wanted to make sure that I understood there were  
23 six. Thank you.

24 I believe it was in response to one of the  
25 questions from one of the parties this morning, you

1 stated the timeliness of project implementation  
2 relates to several factors. Do you remember that  
3 discussion? It may have been with Mr. Armstrong.

4 THE WITNESS: The timeliness of --

5 COMMISSIONER POLMANN: Well, let me ask you  
6 this: In terms of timeliness of projects'  
7 implementation, what factors control timeliness of  
8 a project?

9 THE WITNESS: Well, we get input from my staff  
10 regarding issues that are arising over time. And  
11 so, we identify what might be the solution for  
12 those projects in terms of either capital  
13 investment or operational changes, whatever it  
14 might be.

15 And we make review -- we have a review process  
16 to identify what our capital plan should include,  
17 periodically, as I was saying to Chairman Brown.  
18 And that leads into the game plan for execution of  
19 those projects individually over time.

20 COMMISSIONER POLMANN: Once a project is  
21 identified, given that you've identified a project,  
22 at that stage from -- from my experience elsewhere,  
23 once you have a project, there are a number of  
24 factors involved in implementation.

25 And I'll state four items: We have property

1 ownership or control as one. We have engineering  
2 plans, a study, a feasibility study and plans --  
3 you need -- need to know what you're going to -- to  
4 build. You need permits. And you need funding.

5 So, ownership or control, plans, permits, and  
6 funding -- can you accept those as important  
7 aspects of --

8 THE WITNESS: Very much so.

9 COMMISSIONER POLMANN: -- a project?

10 With those four project-implementation  
11 components, do you -- is it your position that  
12 those are within the control of UIF?

13 THE WITNESS: Sometimes they're -- they're  
14 not. It's not always the case that there's a  
15 project that needs to be addressed that is with the  
16 facility located on our property. Sometimes we  
17 have an issue with gaining permission or authority  
18 to execute the project on someone else's property.

19 An example might be a lift station that's  
20 located in an easement, as opposed on -- as opposed  
21 to being on our property.

22 COMMISSIONER POLMANN: So, there are occasions  
23 when there is something outside of your control.

24 It depends on someone else.

25 THE WITNESS: Sometimes.

1           COMMISSIONER POLMANN:  And one example would  
2           be property.  So, that would be owned or controlled  
3           by someone else.

4           THE WITNESS:  And if I could interrupt and  
5           say, our Shadow Hills diversion project, which is  
6           the largest project of all projects, one component  
7           involves acquisition of property for a new master  
8           lift station.  So, that was one long pole in the  
9           tent for that project.  Other parts of the project  
10          are moving along at a more fast -- at a more-rapid  
11          pace.

12          COMMISSIONER POLMANN:  So, once you overcome  
13          something like property and once you address these  
14          four items that I've identified, do -- does UIF,  
15          then, have control over the timing of implementing  
16          a project?

17          THE WITNESS:  Well, permitting can be a --  
18          an undefined issue at times as well; whether it's a  
19          permitting approval from DEP, or from a county, a  
20          site-plan approval -- some of these things are  
21          beyond our control, particularly site -- site-plan  
22          approvals.

23          COMMISSIONER POLMANN:  I understand.  What I'm  
24          saying is:  Once you are able to -- to address  
25          property, plans, permits, and funding, you're

1           essentially -- you have everything that, I believe,  
2           is necessary to move forward; would you agree?

3           THE WITNESS:   Yes, I would essentially agree.

4           COMMISSIONER POLMANN:   At that point, does UIF  
5           have control over the project, and is it within  
6           your discretion the timing and the schedule to move  
7           forward?

8           THE WITNESS:   Yes.

9           COMMISSIONER POLMANN:   Are there any types of  
10          projects within your pro forma list that you do not  
11          have control of at this point?

12          THE WITNESS:   No.

13          COMMISSIONER POLMANN:   Okay.  Moving on.  
14          There was a number of questions earlier about pipe  
15          breaks, infrastructure failures, and the need to  
16          respond to those.  I didn't quite follow all of --  
17          all of that discussion back and forth.  So, I would  
18          like to ask a follow-up question on that.

19          For an isolated infrastructure failure,  
20          whether it be a pipe break, a pump that fails,  
21          something similar to that -- it's kind of a -- an  
22          immediate failure, not -- not a replacement that  
23          you plan as a project.  Can you explain -- that  
24          type of failure -- is that a capital infrastructure  
25          item or is that an operating expense?

1 THE WITNESS: It's a -- it's a capital item  
2 if, in fact, we're replacing an asset. In some  
3 cases, we're retiring the original asset; replacing  
4 it with a brand-new asset.

5 COMMISSIONER POLMANN: So, even if it's a pipe  
6 break, where you just have to make a repair in the  
7 field?

8 THE WITNESS: No, our -- our criterion is  
9 that, if we're going to simply excavate a pipe and  
10 put a -- a clamp on it or some kind of a -- a  
11 repair device in order to restore service or --  
12 service lines -- same thing, that's a repair.  
13 That's a repair expense.

14 If we're replacing a piece of pipe, then that  
15 essentially becomes a capitalized effort.

16 COMMISSIONER POLMANN: Is -- is there a limit  
17 to the level of effort at which you -- you make a  
18 decision? Is there a standard practice between --  
19 is it a dollar amount or is it --

20 THE WITNESS: It's -- it's essentially -- if  
21 we're replacing an asset, it's going to be  
22 capitalized.

23 COMMISSIONER POLMANN: All right.

24 THE WITNESS: If we're simply making repairs  
25 to an existing and it remains in service, then it

1 would be an O & M expense.

2 COMMISSIONER POLMANN: Along those same lines,  
3 in terms of capital and operating, is there a  
4 distinction between reactive maintenance and the  
5 concept of preventive maintenance, predictive  
6 maintenance? Is there any distinction there  
7 between operating expense and capital expense? Or  
8 is it, again, the issue of replacing infrastructure  
9 that becomes --

10 THE WITNESS: Yeah, that -- that doesn't  
11 really impact the decision as to whether something  
12 has been re- -- expensed or capitalized.

13 COMMISSIONER POLMANN: Okay. Thank you.

14 A moment ago, in response to the Chair's  
15 question, you said you usually take the low bid.  
16 Under what circumstance do you not take the low  
17 bid?

18 THE WITNESS: It could be the low bid was  
19 someone who, then, communicates they can't meet the  
20 schedule. Or if they left out some element of cost  
21 in their bid, and recognized that and admit that  
22 and want to withdraw the bid or -- or if, in fact,  
23 they don't meet the qualifications we're looking  
24 for for the contractor to do the work. Maybe  
25 they're missing the ability to have insurance

1 coverage or to have equipment on-site.

2 I don't -- you know, various things. It's a  
3 rarity, though. We don't really typically  
4 have anything of the --

5 COMMISSIONER POLMANN: Okay. Do you  
6 prequalify your bidders?

7 THE WITNESS: We do in the sense that we  
8 have -- we solicit bids from individuals who we've  
9 worked with before with success or who were  
10 recommended by our engineering consultant who had  
11 familiarity with that -- with that contractor.

12 So, we're not exposing ourselves to a bid by  
13 someone who really has not necessarily the right  
14 qualifications that wouldn't necessarily be able to  
15 execute the contract.

16 COMMISSIONER POLMANN: Okay. In your direct  
17 testimony -- and again, you responded to the Chair.  
18 There are 47 pro forma capital projects I see in  
19 your direct testimony. And again, in your opening  
20 remarks, you summarized six categories.

21 Do any of those projects directly address  
22 existing water quality in their retail distribution  
23 system -- water quality specifically in their  
24 retail distribution system?

25 THE WITNESS: Yes.

1           COMMISSIONER POLMANN: Could you please  
2 identify those.

3           THE WITNESS: Well, one example is Ravenna  
4 Park. We completed the Ravenna Park-Crystal Lake  
5 interconnection. A portion of that project was  
6 refurbishing the Ravenna Park water plant, removing  
7 and replacing the ground storage tank and the  
8 aerator, cascade aeration equipment and, in  
9 essence, bringing it up to current standards as a  
10 function of that project.

11           And that was also driven partly by the Crystal  
12 Lake well, which was a single well serving a  
13 community of about 200 homes, 200 customers. The  
14 well failed. And so, another component of that  
15 project was interconnect, the Crystal Lake water  
16 system with the Ravenna Park water system, which  
17 was in close proximity, in order to have Ravenna  
18 Park water plant provide adequate water for the two  
19 combined systems and, thereby, address what was  
20 happening with the Crystal Lake well, which was  
21 pulling sand out of the aquifer and getting into  
22 the distribution network.

23           COMMISSIONER POLMANN: I think I understand  
24 the response you just gave was related to plant,  
25 water plant and water source; is that correct, sir?

1 THE WITNESS: Well, yes, and the fact that  
2 the -- the Crystal Lake well was pumping sand,  
3 which affects water quality, into the  
4 distribution --

5 COMMISSIONER POLMANN: Well, it certainly --  
6 it certainly would.

7 THE WITNESS: Yeah.

8 COMMISSIONER POLMANN: But that's a source-  
9 water issue. That's a well.

10 THE WITNESS: Correct.

11 COMMISSIONER POLMANN: Okay. More  
12 specifically, my question concerns not a -- a water  
13 plant, where you're producing the water or the  
14 source, but conditions in the distribution system.

15 Elsewhere in testimony, it -- it's been  
16 asserted by UIF that you are meeting primary and  
17 secondary water-quality standards at the treatment  
18 plants, and at the point of entry from the  
19 treatment works, the source water, into your  
20 distribution system.

21 And my question deals with the water quality  
22 in the retail distribution system. So, in that  
23 context, do any of your projects attempt to address  
24 any water-quality issues that may or may not be  
25 occurring in the retail distribution system?

1 THE WITNESS: No.

2 COMMISSIONER POLMANN: Thank you.

3 Mr. Armstrong earlier asked questions about  
4 Variable Frequency Drives, VFDs. If you recall  
5 that, I would like to ask --

6 THE WITNESS: Yes.

7 COMMISSIONER POLMANN: -- a couple of  
8 questions on that. Is work on VFDs -- is that work  
9 already completed or is it yet to be done?

10 THE WITNESS: The Pennbrooke water plant  
11 improvements are underway. They're not yet  
12 completed.

13 COMMISSIONER POLMANN: In response to a  
14 particular question, I believe you said that the  
15 cost savings implementing the VFD was speculative.  
16 Do you recall that answer?

17 THE WITNESS: No, sir, in the sense that I  
18 couldn't quantify accurately how much savings would  
19 occur until we had some actual experience operating  
20 the new equipment in the future --

21 COMMISSIONER POLMANN: Okay.

22 THE WITNESS: Future year.

23 COMMISSIONER POLMANN: So, your -- you -- UIF  
24 doesn't know what dollars -- how many dollars cost  
25 savings. Do you expect some cost savings?

1 THE WITNESS: I expect some cost savings, yes.

2 COMMISSIONER POLMANN: Okay.

3 THE WITNESS: But I don't know how much.

4 COMMISSIONER POLMANN: Did UIF design the VFD  
5 replacement or did you have outside engineering for  
6 that?

7 THE WITNESS: We don't have -- we have no  
8 internal engineering firm or engineering expertise.  
9 We have farmed that out.

10 COMMISSIONER POLMANN: In your professional  
11 experience, would such an engineering work by  
12 professional engineers, consulting company -- would  
13 they provide a cost analysis to you before --  
14 before you proceed with that work? And did they?  
15 Did they provide a cost estimate for -- for the  
16 capital work?

17 THE WITNESS: They -- they identified a cost  
18 estimate, I believe, for this project. They did  
19 not provide any cost-benefit analysis as part of  
20 their scope of work.

21 COMMISSIONER POLMANN: They provided a capital  
22 cost --

23 THE WITNESS: Capital-cost estimate.

24 COMMISSIONER POLMANN: So, their analysis did  
25 not include an operating-cost comparison between

1 existing -- I'm sorry. Let me back up.

2 Are you implementing the VFD for the first  
3 time at this site or are you replacing?

4 THE WITNESS: It's -- it's -- it doesn't have  
5 VFDs now.

6 COMMISSIONER POLMANN: So --

7 THE WITNESS: It has archaic equipment from  
8 the 1980s, or seventies.

9 COMMISSIONER POLMANN: Okay. So, there's a --  
10 a fixed-speed drive at this location --

11 THE WITNESS: Correct.

12 COMMISSIONER POLMANN: -- and you're  
13 implementing a variable frequency drive.

14 THE WITNESS: Correct.

15 COMMISSIONER POLMANN: And the engineer that  
16 you -- that you contracted did not provide any  
17 cost-comparison estimate of savings for -- for  
18 implementing the variable.

19 THE WITNESS: No, he did not.

20 COMMISSIONER POLMANN: Did they provide any  
21 capital-cost comparison between the fixed drive and  
22 the variable?

23 THE WITNESS: No. I believe what actually  
24 happened was we directed him to consider VFDs,  
25 given the wide experience we have with VFD

1 equipment, in many of our facilities. And we  
2 wanted to realize similar benefits at Pennbrooke  
3 that we've had experience with elsewhere -- buys a  
4 lot of -- a lot of operational benefits.

5 COMMISSIONER POLMANN: Does the work that --  
6 that we're discussing here -- does that involve  
7 just the VFD? Or are you replacing pump motor  
8 and -- as well as the drive?

9 THE WITNESS: This particular project involves  
10 a number of different components or activities,  
11 electrical-improvement upgrades include --  
12 including, I think, the feeder to the plant,  
13 replacing all the control panels, which are vintage  
14 1980s --

15 COMMISSIONER POLMANN: Okay. So, it's a  
16 rather comprehensive --

17 THE WITNESS: Yes, it's not just the --

18 COMMISSIONER POLMANN: -- electrical works.

19 THE WITNESS: -- VFDs. It's much more than  
20 that.

21 COMMISSIONER POLMANN: Okay. And was this  
22 changed because of the end-of-useful-life-type of  
23 replacement?

24 THE WITNESS: Yes, and also wanted to increase  
25 reliability in the face of current average-demand

1 and peak-demand conditions.

2 COMMISSIONER POLMANN: Okay. That's one of  
3 the reasons is: Go with the variable frequency  
4 drive. You've got a much wider range of --

5 THE WITNESS: That's correct.

6 COMMISSIONER POLMANN: -- pumping ability; is  
7 that correct?

8 THE WITNESS: That's correct.

9 COMMISSIONER POLMANN: You just mentioned a  
10 moment ago you have experience elsewhere with VFDs.

11 THE WITNESS: Yes.

12 COMMISSIONER POLMANN: And through that  
13 experience, have you been able to learn anything on  
14 a cost -- regarding the cost savings?

15 THE WITNESS: Well, we know that -- well,  
16 first of all, we don't sub-meter our demands across  
17 a given facility. So, there's not really any easy  
18 way to quantify the impact of a VFD-controlled pump  
19 versus one that didn't have it -- that doesn't have  
20 it. So, it's rather difficult to quantify that.

21 We do, overall, understand some cost savings  
22 in terms of the power bill, before and after.

23 COMMISSIONER POLMANN: Okay. In other  
24 testimony here this morning, you -- there was  
25 discussion about chlorines and a chlorine burn. Do

1           you recall that --

2           THE WITNESS:   Yes.

3           COMMISSIONER POLMANN:   -- in general?

4           I believe you indicated that a -- a purpose of  
5           the chlorine burn was to kill the bio-film.

6           THE WITNESS:   Yes.

7           COMMISSIONER POLMANN:   That was your phrase.

8           THE WITNESS:   That's one of the objectives,  
9           yes.

10          COMMISSIONER POLMANN:   So, it's your  
11          understanding -- and I believe the discussion may  
12          have pertained specifically to Summertree, but in  
13          general -- well, let -- let's speak in -- in Pasco  
14          County, since your -- one of your objectives to  
15          kill bio-film -- what is -- what is the nature of  
16          the bio-film?

17          Do you have information on the nature of that  
18          and by what means and -- or method did you  
19          determine -- how do you know there's a bio-film and  
20          what do you know about it?

21          THE WITNESS:   The bio-film being present is  
22          inferred by virtue of the chemistry going on in the  
23          water between the time the water enters the system  
24          and the time it reaches the far point of the  
25          system.

1           The -- the reality is there is likely to be  
2           bio-film present to some degree, given the fact  
3           that there's less ammonia in the water between the  
4           two points. There's a degradation of chlorine  
5           residual over about a mile-and-a-half distance of  
6           pipe. That indicates most likely that there is  
7           biological metabolism occurring in the distribution  
8           network.

9           COMMISSIONER POLMANN: So, you are inferring  
10          the presence of bio-film based on water samples.

11          THE WITNESS: Water samples, that's right --  
12          that's correct.

13          COMMISSIONER POLMANN: Have you taken any --  
14          have you excavated any pipe to examine the  
15          distribution-system pipe?

16          THE WITNESS: No.

17          COMMISSIONER POLMANN: Have you had any pipe  
18          breaks, any need to replace pipe in Summertree?

19          THE WITNESS: In Summertree, the majority of  
20          the pipe is PVC and doesn't have any issues with  
21          it. The oldest -- very oldest section has some  
22          galvanized pipe. It was replaced three or four  
23          years ago.

24          During that process, there was an opportunity  
25          to -- to investigate whether there was any bio-film

1 in the interior of the piping, in that portion of  
2 the system. I don't believe there was a heck of a  
3 lot, from what I understand.

4 COMMISSIONER POLMANN: Can -- can we agree --  
5 well, let me back up. Bio-film, by -- by using  
6 that word, we're talking about biological material  
7 and the fact that it's a film. It conjures up this  
8 kind of slimy stuff; is that --

9 THE WITNESS: It's just --

10 COMMISSIONER POLMANN: I don't want to put  
11 words in your mouth, but I just have a picture --

12 THE WITNESS: Not necessarily. Just -- it's  
13 just -- basically, it adheres to the surface of the  
14 wall of the pipe.

15 COMMISSIONER POLMANN: Okay. Is it -- is it a  
16 reasonable statement to say that it -- it will grow  
17 in layers, as a film? It adheres to the pipe, but  
18 it tends to be a layered type of material? I --  
19 I'm trying to get to the issue of how do you -- how  
20 do you kill this stuff? Do you -- do you have an  
21 opinion about that?

22 THE WITNESS: The industry-wide approach -- or  
23 thinking is that, basically, by elevating the  
24 chlorine residual to a significant level, the free  
25 chlorine that's present, which is extremely

1 effective oxidizing agent, extremely effective --  
2 lethal to bio- -- biological activity will be  
3 successful in acting on that bio-film to the degree  
4 that it sloughs off the pipe and allows for it to  
5 be removed by the flushing-out effort.

6 COMMISSIONER POLMANN: So, it does slough off.  
7 Where does it go?

8 THE WITNESS: It needs -- well, hopefully it's  
9 going to be suspended through the scouring process  
10 of the flushing and then ex- -- exit through the  
11 fire hydrants that are used for flushing.

12 COMMISSIONER POLMANN: You've said  
13 "hopefully." You used that term earlier today in  
14 testimony, that the velocity was "hopefully"  
15 sufficient. And I'm a little bit concerned. And  
16 I -- and I would like you to clarify your use of  
17 the term "hopefully."

18 THE WITNESS: Well, I will. We asked our  
19 engineering consultant to model the water system,  
20 identifying the water source, having a certain  
21 pressure range and a certain pipe size and a  
22 certain characteristic, identifying whether that  
23 would be sufficient to generate enough velocity  
24 through the piping system, adequate to do the  
25 scouring that we would need. And they -- they

1 confirmed that was possible.

2 COMMISSIONER POLMANN: I'm sorry. They  
3 confirmed --

4 THE WITNESS: They -- they confirmed that that  
5 was okay; that we could expect to have a good  
6 scouring velocity through the piping network during  
7 our flushing effort.

8 COMMISSIONER POLMANN: You said a moment ago  
9 that -- that the majority pipe in Summertree is  
10 PVC.

11 THE WITNESS: Correct.

12 COMMISSIONER POLMANN: Is there a clear  
13 understanding by industry standards what velocity  
14 is necessary for scouring in PVC?

15 THE WITNESS: I'm told five feet per second or  
16 better.

17 COMMISSIONER POLMANN: You had talked earlier,  
18 in response to questioning, about unit directional  
19 flushing. So, that's the plan? Is there any  
20 expectation that there will be any reverse  
21 direction during your -- your process?

22 THE WITNESS: No, because there's only one  
23 point source for the water. And we will execute a  
24 plan that reflects controlling the isolation valves  
25 in the network to control where the water is going

1 and where it's coming from so we have an  
2 understanding that it's going to be a unit  
3 directional flush.

4 COMMISSIONER POLMANN: Is there any  
5 opportunity that -- that you can expect -- during  
6 the modeling that was -- that was conducted by  
7 your -- by your engineer, by whoever you contracted  
8 for this, does that model reflect or are you aware  
9 that it -- that it can identify that there could be  
10 this sloughed-off bio-film that goes in the  
11 direction of the customers' connections?

12 Can that material, rather than going to  
13 your -- to your flushing point at the hydrants --  
14 can that material find its way to -- to the  
15 customer connections?

16 THE WITNESS: Certainly, it can. It's not  
17 harmful. It's just a function of water will take  
18 the path of least resistance. And it may be the  
19 case that some of that material ends up -- it might  
20 end up there today, on occasion.

21 COMMISSIONER POLMANN: You said it's not  
22 harmful. Can you -- can you clarify? How do you  
23 know that, sir?

24 THE WITNESS: We -- we've conducted burns in  
25 numerous facilities over the years, all the while,

1 sampling the water for bacteriological results.

2 And I've always had negative results.

3 We know that the chloramination includes the  
4 ammonia being added, which is a nitrifier, a  
5 nutrient which is going to be, over time, likely to  
6 accumulate in the piping network. That's why a  
7 burn is appropriate. Scouring is appropriate.

8 At the end of the day, we sample routinely all  
9 the water systems. We've not had bacteriological  
10 evidence that there's any harmful bacteria present.

11 COMMISSIONER POLMANN: Are you familiar  
12 with -- with the water system in the City of Tampa?

13 THE WITNESS: Just peripherally. I've driven  
14 through it. And that's about it.

15 COMMISSIONER POLMANN: Okay. Are -- does UIF  
16 operate a water system in Pinellas County?

17 THE WITNESS: Yes, a small one.

18 COMMISSIONER POLMANN: And can you tell me  
19 what is the source of -- of the drinking water  
20 in -- at your system in Pinellas County?

21 THE WITNESS: We have our own well at that  
22 system.

23 COMMISSIONER POLMANN: Is there any  
24 interconnection at all with the Pinellas County  
25 drinking water system?

1 THE WITNESS: There is. Pinellas County is  
2 the provider of emergency back-up. So, we have an  
3 automatic control valve that would open in the  
4 event our well doesn't work for some reason, power  
5 loss, whatever it might be.

6 COMMISSIONER POLMANN: Has there been any --  
7 any occasion in the last, oh, ten years, that that  
8 valve has -- has been opened, that you have taken  
9 water from Pinellas County, that you know of?

10 THE WITNESS: When Pinellas County converted  
11 to chloramination, we converted our Lake Tarpon  
12 system to chloramination to match. So, we actually  
13 chloraminate there, even though there's no  
14 requirement specific to Lake Tarpon as well.

15 It offers us the means to have Pinellas County  
16 provide backup water without having any delay of  
17 service or interruption of service.

18 COMMISSIONER POLMANN: Are you familiar with  
19 the chlorine-burn practices in the Pinellas County  
20 utilities?

21 THE WITNESS: Yes, because we've coordinated  
22 our burns and Lake Tarpon with their burns once or  
23 twice a year for quite a few years.

24 COMMISSIONER POLMANN: It's my understanding  
25 that Pinellas County Utilities burns twice a year

1 for approximately two or three weeks. You're  
2 familiar with that, sir?

3 THE WITNESS: Yes. Yes. And we notify our  
4 customers when that switchover occurs so we have  
5 consistency.

6 COMMISSIONER POLMANN: I believe, in testimony  
7 today, you've indicated that, at Summertree, you  
8 expect to burn for approximately four to six weeks.

9 THE WITNESS: That's our initial estimate.

10 COMMISSIONER POLMANN: Okay. And am I correct  
11 in understanding that you -- you are proposing to  
12 do that once and then see -- see what happens?

13 THE WITNESS: Yes. We know that -- that  
14 our -- that two of our water-supply wells for years  
15 contained iron, a significant amount. We -- that's  
16 why we add a sequestrant to our water at those two  
17 wells.

18 So, over time, the iron in the water was  
19 likely deposited on the -- in the mains. Iron is  
20 not harmful, but it certainly is difficult to  
21 remove because of its density. So, it will be most  
22 likely the case that we're going to repeat the  
23 process of a burn periodically as a function of  
24 what the water-quality results look like over time.

25 COMMISSIONER POLMANN: When those wells were

1 operating and providing water that had high iron,  
2 was -- was PVC the primary pipe -- type of pipe  
3 that was in that distribution system at that time?

4 THE WITNESS: Yes.

5 COMMISSIONER POLMANN: So, would it be your --  
6 your belief that there are -- there's iron  
7 deposition in the PVC system?

8 THE WITNESS: There very well could be. We  
9 don't -- we don't have a huge water demand;  
10 therefore, the velocity on a given, typical day  
11 would not be extreme.

12 It could be very easily the case that the  
13 sediment from iron precipitates out of the water  
14 column and the sequestrant passivates and then  
15 there's no -- no success keeping the suspension.  
16 Then it -- it may, in fact, over time, accumulate.

17 COMMISSIONER POLMANN: Okay. Have you -- has  
18 the utility been -- let me back up. Sorry.

19 Does the utility have any evidence of  
20 different quality of water in the distribution  
21 system in the areas where there's PVC pipe compared  
22 to the area where there's galvanized pipe?

23 THE WITNESS: No. I'm not sure what -- how  
24 much galvanized pipe we have left because we've had  
25 some work done to replace the two-inch galvanized

1 pipe some years ago. I don't know if we have any  
2 remaining in that old section or not. I would have  
3 to check.

4 COMMISSIONER POLMANN: Okay. If I could refer  
5 to your direct testimony in general -- we've  
6 already mentioned that several-dozen projects in  
7 the pro forma list. There are a -- a good number  
8 that refer to pipe replacement, water main  
9 replacement, and ten that identify replacement of  
10 pipe -- one of -- one of the issues there is  
11 tuberculated pipe.

12 And -- and the reason that is stated has to do  
13 with loss of pressure or -- or pressure loss due to  
14 tuberculated pipe. How is that con- -- how is that  
15 condition of tuberculated pipe identified in those  
16 systems? What evidence do you have that there is  
17 tuberculation?

18 THE WITNESS: So, it's really nine water-main  
19 replacement projects. The one in Sanlando for  
20 Autumn Drive was 900 foot of PVC pipe that was bad  
21 PVC pipe and nothing to do with -- with the rest of  
22 those projects.

23 COMMISSIONER POLMANN: Okay.

24 THE WITNESS: In concept.

25 But those projects that have tuberculated pipe

1 is evident by virtue of our occasions we replaced  
2 individual laterals to customers' meter and, in  
3 doing so, identified how tremendously impactful  
4 calcium build-up in the pipe has blocked the flow-  
5 way in the pipe and, by virtue of that, reduced or  
6 caused a heck of a lot of friction loss and a  
7 consequent drop in pressure.

8 COMMISSIONER POLMANN: So, in -- in those nine  
9 systems -- in all of them, have you had an  
10 opportunity to physically examine the pipe for  
11 whatever reason and, therefore, have identified the  
12 tuberculation?

13 THE WITNESS: Yes. The tuberculation is  
14 evident from our experiences in all those systems  
15 with having occasion to cut the -- the service line  
16 re- -- make a repair to the service line, a failure  
17 to the service pipe, the galvanized pipe. And in  
18 doing so, we, in fact, are quite able to see the  
19 tuberculations.

20 COMMISSIONER POLMANN: Okay.

21 THE WITNESS: They're quite visible.

22 COMMISSIONER POLMANN: So, when you see it,  
23 you know you have it.

24 THE WITNESS: Very much so.

25 COMMISSIONER POLMANN: All right.

1 THE WITNESS: Even before that, we have had,  
2 in many cases, customers complained about low  
3 pressure. And the remedy isn't our meter; it's the  
4 service lateral.

5 COMMISSIONER POLMANN: Okay. It was asserted  
6 yesterday at the customer service hearing by a  
7 Pasco County employee that the distribution system  
8 at Summertree has tuberculated pipe. Have you --  
9 have you heard that --

10 THE WITNESS: He --

11 COMMISSIONER POLMANN: -- mentioned by Pasco  
12 County?

13 THE WITNESS: He -- he conjectured, but he has  
14 no evidence. We wouldn't allow him to -- to  
15 interrupt service to our customers to remove a fire  
16 hydrant and examine the interior of a piece of pipe  
17 at his discretion. So, he took offense to that.  
18 He didn't like the idea that I said, no, he can't  
19 cut into my water system.

20 COMMISSIONER POLMANN: Okay. I'm simply  
21 trying to establish, sir, that -- that you are  
22 aware that Pasco County has asserted that.

23 THE WITNESS: I am aware.

24 COMMISSIONER POLMANN: Has the utility, in  
25 fact, determined that the Summertree distribution-

1 system pipe does not have tuberculation?

2 THE WITNESS: We haven't had evidence of  
3 tuberculation being a strong issue in -- in  
4 Summertree. We have -- used to have it on the old  
5 section. We had galvanized pipe. Our -- our wells  
6 are drawing from the aquifer -- Floridian aquifer, full  
7 of limestone. So, definitely we had ap- -- dep- --  
8 deposits in that portion of the system. And if, in  
9 fact, the system had service lines made out of  
10 galvanized pipe, they also would have been  
11 tuberculated.

12 COMMISSIONER POLMANN: If I understand your  
13 testimony, you have nine systems that have -- you  
14 have evidence by examination where you have  
15 tuberculation.

16 THE WITNESS: Yes.

17 COMMISSIONER POLMANN: Are the -- you  
18 mentioned mineral deposits. I -- I assume this was  
19 calcium carbonate, magnesium carbonate, things of  
20 this type that have come out of solution  
21 precipitated onto the pipe.

22 THE WITNESS: Correct.

23 COMMISSIONER POLMANN: Is that type of process  
24 conceivable that that would occur in Summertree.  
25 Does that potential exist there.

1 THE WITNESS: On a going-forward basis or --  
2 or historically?

3 COMMISSIONER POLMANN: Within the pipe that  
4 exists now in the ground in the distribution system  
5 in Summertree. My question is: Could that have  
6 occurred historically?

7 THE WITNESS: Yes. I doubt it occurred,  
8 though.

9 COMMISSIONER POLMANN: I'm sorry?

10 THE WITNESS: I said, I doubt that it occurred  
11 in -- in the PVC pipe.

12 COMMISSIONER POLMANN: Okay. It's your  
13 professional opinion that you doubt it.

14 THE WITNESS: We've -- we've had occasions  
15 to -- in many systems that also have the same kind  
16 of water quality with high hardness levels that  
17 have not had tuberculation in PVC, when it is very  
18 evident in galvanized pipe in the same distribution  
19 network.

20 COMMISSIONER POLMANN: Okay. Back to your --  
21 to your nine projects, that addresses removal and  
22 replacement of asbestos-cement and galvanized iron  
23 water mains in various pertinences. In those  
24 cases, do all of those deal with asbestos-cement  
25 and galvanized pipe?

1 THE WITNESS: Yes.

2 COMMISSIONER POLMANN: One or the other or  
3 both?

4 THE WITNESS: Yes.

5 COMMISSIONER POLMANN: Is there any case in  
6 which you're dealing with PVC pipe?

7 THE WITNESS: No. These were all vintage  
8 1950s and '60s, before PVC was in the market.

9 COMMISSIONER POLMANN: Okay. Across all of  
10 your water systems, 20- -- 22?

11 THE WITNESS: 24.

12 COMMISSIONER POLMANN: 24. Do you believe, at  
13 this point in time, that you've identified all of  
14 the asbestos-cement, galvanized pipe that needs to  
15 be replaced?

16 THE WITNESS: No. One of the benefits of our  
17 asset management plan is to, in fact, you know,  
18 coordinate investigation of our asset types and  
19 confirm where we have asbestos-cement pipe or other  
20 types of pipe materials that are going to be of  
21 concern, and then help that -- help us fashion a  
22 plan to address that at the appropriate time.

23 COMMISSIONER POLMANN: So, you do not, today,  
24 have the full picture, and you expect further  
25 effort regarding water-main replacement; is that

1 correct?

2 THE WITNESS: Yes. Yes, well, for instance,  
3 one of our projects as a pro forma is the -- is the  
4 GIS mapping effort, so --

5 COMMISSIONER POLMANN: I understand.

6 THE WITNESS: So, we're -- we're digitizing  
7 many of our maps into our GIS platform. And that  
8 will be a very important tool in the process to  
9 identify where we have asbestos-cement, segments of  
10 pipe for units in the subdivision versus other  
11 types of material.

12 COMMISSIONER POLMANN: That's all I have,  
13 Madam Chair.

14 CHAIRMAN BROWN: Thank you, Commissioner  
15 Polmann.

16 Redirect -- oh, I'm sorry. Commissioner  
17 Brisé. I'm so sorry. Commissioner Brisé has  
18 questions.

19 COMMISSIONER BRISÉ: Thank you. I just have  
20 a -- maybe one or two questions. So, you're  
21 dealing with Issue 3 -- one of your issues was  
22 Issue 3, which is looking at quality of service.  
23 Would you say that the quality of service is  
24 equivalent across the board when you look at all  
25 the systems?

1 THE WITNESS: No.

2 COMMISSIONER BRISÉ: No.

3 THE WITNESS: I would like it to be, but  
4 certainly there are variances between the systems.

5 COMMISSIONER BRISÉ: Okay. So, what are the  
6 systems, from your perspective, that are  
7 problematic?

8 THE WITNESS: Well, as Mr. Hoy mentioned, as  
9 an example, Pennbrooke, which has iron in the  
10 source water that can be treated with additional  
11 treatment equipment if we were able to move forward  
12 with our project.

13 COMMISSIONER BRISÉ: Okay. Are there any  
14 other systems that you would identify as systems  
15 that -- that pose a challenge?

16 THE WITNESS: Dr. Halleen was here yesterday  
17 from Cypress Lakes. It has a good bit of sulfur in  
18 the water. So, we talked about some kind of a  
19 treatment scheme -- or treatment upgrade, rather,  
20 to -- to address those concerns.

21 COMMISSIONER BRISÉ: So, those are the only  
22 two systems?

23 THE WITNESS: And the third one is Labrador  
24 where we have water-quality concerns generated --  
25 generating complaints historically there.

1           COMMISSIONER BRISÉ: So, those are three  
2 systems that -- that, from your perspective, are  
3 the ones that may pose a challenge.

4           THE WITNESS: Yes, sir.

5           COMMISSIONER BRISÉ: Okay. So, from a value  
6 perspective, as I asked yesterday, whatever  
7 variance happens in rates, you think that those  
8 customers are getting their fair value for the way  
9 the -- the rates are being -- I know you're not a  
10 rate witness, per se. But from a quality-of-  
11 service perspective, they're getting a fair value  
12 for whatever what they're paying for?

13          THE WITNESS: I would have to say yes. It's  
14 not what they want to hear, but it's my opinion.

15          COMMISSIONER BRISÉ: Okay. And -- and so, the  
16 actions that are being proposed by the utility  
17 would address all of those concerns moving forward  
18 for those systems.

19          THE WITNESS: Well, as -- as Mr. Hoy was  
20 saying yesterday, under a uniform rate structure,  
21 we would have the means to more-economically  
22 implement a solution for one or more of those  
23 systems that would be palatable to the pocketbook  
24 as well as to the customers' palate.

25          COMMISSIONER BRISÉ: Okay. With that --

1 that's it for now, Madam Chair. Thank you.

2 CHAIRMAN BROWN: Thank you, Commissioner  
3 Brisé.

4 Now, redirect.

5 EXAMINATION

6 BY MR. FRIEDMAN:

7 Q Mr. Flynn, do you recall Mr. Winchester [sic]  
8 asking you questions about whether I&I remediation would  
9 reduce treatment-plant costs, such as chemicals and  
10 power?

11 A Yes.

12 Q Do you recall whether any of those line  
13 repairs were in systems that have excessive I&I?

14 A I don't believe that the ones that are in pro  
15 forma projects have that issue.

16 Q Is the -- does the Wekiva plant have excessive  
17 I&I?

18 A Not -- not by the calculations done in the  
19 MFRs.

20 Q All right. But to the extent that it does, do  
21 you know whether the costs for chemicals and power are  
22 reduced when they set your rates?

23 A I do not know.

24 Q Do you recall Mr. Winchester [sic] -- and  
25 also, I believe Mr. Sayler, asking you questions several

1 times about reduction in costs --

2 CHAIRMAN BROWN: Winchester? Who is  
3 Mr. Winchester? We don't have an attorney here  
4 named --

5 MR. FRIEDMAN: Well, I wrote down Winchester.  
6 And I apologize.

7 CHAIRMAN BROWN: No problem.

8 (Laughter.)

9 BY MR. FRIEDMAN:

10 Q Do you recall the questions that were asked to  
11 you about when you do line replacements, whether that's  
12 going to save you in -- in repair costs in the future?

13 A Yes.

14 Q And so, when you do a line replacement, are  
15 those people that -- that used to be doing the  
16 repairs -- are they sitting around Starbucks just kind  
17 of chilling?

18 A No. We utilize them -- or others utilize them  
19 for other -- other projects that may, in fact, be our  
20 system having issues or a different system having issues  
21 that need to be repaired or replaced.

22 Q There was some questions earlier about  
23 chlorine residual being necessary to ensure safe  
24 drinking water. Do you remember those questions?

25 A Yes.

1           Q     All right.  And there was some mention that  
2     some of the tests in Summertree reflected that, at some  
3     points, there were not -- there was not sufficient  
4     chlorine?

5           A     It was below the mark established by DEP at  
6     times.

7           Q     And do you recall how many points that was --  
8     that that occurred?

9           A     I don't recall it specifically.

10          Q     All right.  Was it true of every point?

11          A     No.  There -- the majority of the locations,  
12     it was the case that it was above the mark.

13          Q     And do you think, even for those points  
14     that -- that did not meet that standard at those  
15     locations -- do you think that means that water wasn't  
16     safe to drink?

17          A     No, not at all.  The -- the way the regulatory  
18     framework is designed for potable water, there's many,  
19     many layers of protection in place to ensure that, if  
20     one or more of those layers fails, the others are  
21     adequate to ensure that water remains healthy to drink  
22     and -- and consume.

23                     So, that was the case at -- at Summertree.  
24     The chlorine residual may have been reduced at some  
25     point, for some defined time period, but other

1 attributes of -- of the system protect the customer from  
2 risk of any harmful water.

3 MR. FRIEDMAN: No further questions.

4 CHAIRMAN BROWN: Thank you.

5 Now, exhibits. They're going to be a little  
6 tricky because some of the exhibits are -- and I  
7 marked which ones do not have anything provided at  
8 the time of filing.

9 I'm going to read the list, for the record,  
10 Mr. Friedman, of those: 42, 43, 46, 50, 51, 55,  
11 58, 60, 61, 62, 63, 64, 65, 66, 67, 71, and 72.  
12 Since they don't have anything attached to them,  
13 they will not be moved in.

14 MR. FRIEDMAN: That makes sense.

15 CHAIRMAN BROWN: Okay. So, would you like all  
16 the other exhibits moved in?

17 MR. FRIEDMAN: I would, yes.

18 CHAIRMAN BROWN: Okay. I'm going to have to  
19 read them for the record.

20 Is there any opposition to the other exhibits  
21 being moved in?

22 MR. SAYLER: Which exhibits? Sorry.

23 CHAIRMAN BROWN: I'm going to read them now:  
24 37, 38, 39, 40, 41, 44, 45, 47, 48, 49, 52, 53, 54,  
25 56, 57, 59, 68, 69, 70, 73, 74, 75, 76, 77, 78, 79,

1 80, 81, 82, 83, 84, and 85.

2 MR. SAYLER: No, no objection to those.

3 CHAIRMAN BROWN: So, all of those that I just  
4 read off will be moved into the record, then, at  
5 this time. Thank you.

6 (Exhibit Nos. 37, 38, 39, 40, 41, 44, 45, 47,  
7 48, 49, 52, 53, 54, 56, 57, 59, 68, 69, 70, 73, 74, 75,  
8 76, 77, 78, 79, 80, 81, 82, 83, 84, and 85 admitted into  
9 the record.)

10 CHAIRMAN BROWN: Would you like this witness  
11 excused mom- -- for now?

12 MR. FRIEDMAN: Yes, I would. He'll be back.

13 CHAIRMAN BROWN: Okay.

14 MR. FRIEDMAN: He'll be available for  
15 rebuttal.

16 CHAIRMAN BROWN: Thank you.

17 Thank you, Mr. Flynn, for your time.

18 THE WITNESS: Thank you.

19 MR. FRIEDMAN: Did we move the --

20 CHAIRMAN BROWN: Oh, we have one exhibit still  
21 that we have not -- I just want to make sure staff  
22 doesn't have an objection to it. Sorry.

23 Public Counsel, you have several exhibits.

24 MR. SAYLER: Yes, ma'am. For Exhibit 276, for  
25 clarity of the record, for appellate purposes, we

1 renew our objection to all the discovery that  
2 Mr. Flynn earlier verified or swore to under  
3 staff's discussion.

4 Also, we --

5 CHAIRMAN BROWN: Before you go ahead and do  
6 that --

7 MR. SAYLER: Sure.

8 CHAIRMAN BROWN: I just want to see if staff  
9 has an objection to moving 276 into the record. I  
10 wanted to give you an opportunity to review it  
11 first.

12 MR. TAYLOR: We have no objection.

13 CHAIRMAN BROWN: Okay. None of the other  
14 parties look to have any objection. So, we'll just  
15 go ahead at this time and move 276.

16 (Exhibit No. 276 admitted into the record.)

17 MR. SAYLER: And -- and ma'am, just -- Madam  
18 Chair, just as part of moving that in, we also want  
19 to renew our objection to all of the exhibits  
20 identified in Exhibit 276.

21 We maintain that the utility has the burden of  
22 proof to support its request -- all of its  
23 requests, including pro forma, according to the  
24 Florida Power Corp vs. Cressie case, and according  
25 to the Labrador order that I quoted in my opening,

1 in PSC-07-0129.

2 It is not staff's or the Commission's burden  
3 to put documents into the record as it relates to  
4 supporting anything the utility needs.

5 CHAIRMAN BROWN: Okay. 278 through 283 --  
6 would you like those moved into the record?

7 MR. SAYLER: Yes, ma'am.

8 CHAIRMAN BROWN: Any objection?

9 We'll go ahead and enter those into the record  
10 at this time. Thank you.

11 (Exhibit Nos. 278 through 283 admitted into  
12 the record.)

13 CHAIRMAN BROWN: Now you're dismissed. Thank  
14 you, Mr. Flynn.

15 THE WITNESS: Thank you.

16 CHAIRMAN BROWN: Next witness?

17 MR. FRIEDMAN: The next witness that UIF calls  
18 is Deborah Swain.

19 CHAIRMAN BROWN: Good afternoon, Ms. Swain. I  
20 believe you were sworn in earlier?

21 THE WITNESS: Yes, I was.

22 CHAIRMAN BROWN: Thank you.

23 THE WITNESS: Yes, I was.

24 CHAIRMAN BROWN: I think everyone is settled  
25 in.

1 MR. FRIEDMAN: Everybody ready?

2 CHAIRMAN BROWN: Uh-huh. You're ready.

3 MR. FRIEDMAN: Thank you.

4 EXAMINATION

5 BY MR. FRIEDMAN:

6 Q Would you please state your name.

7 A Deborah Swain.

8 Q And Ms. Swain, did you prefile testimony in  
9 this case?

10 A Yes, I did.

11 Q If I ask you the questions in your prefiled  
12 direct testimony, would the responses be the same?

13 A Yes, they would.

14 Q So, you have no changes or corrections to your  
15 direct testimony?

16 A Correct.

17 Q And did you sponsor any exhibits?

18 A Yes, I sponsored two exhibits.

19 Q And what were those?

20 A One was the -- was Volume 1 of the MFRs and --  
21 with the exception of the "F" schedules; and the second  
22 is the reconciliation of the end report to the MFRs.

23 MR. FRIEDMAN: Thank you.

24 At this time, I would like to ask that

25 Ms. Swain's testimony be inserted into the record

1 as though read.

2 CHAIRMAN BROWN: We will go ahead and insert  
3 Ms. Deborah Swain's prefiled direct testimony into  
4 the record as though read.

5 (Prefiled direct testimony inserted into the  
6 record as though read.)

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1 **Q. Please state your, name profession and address.**

2 A. My name is Deborah D. Swain. I am Vice President of Milian, Swain & Associates, Inc. and  
3 head up the firm's finance, accounting and management team. My business address is 2015  
4 SW 32<sup>nd</sup> Ave., Suite 110, Miami, Florida 33145.

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

6 A. I have a Bachelor of Science degree in Accounting from Florida State University. I have over  
7 35 years of experience in utility management, accounting, finance, rate regulation, rate design  
8 and system development. I have prepared and supervised cost of service studies for over 200  
9 water and wastewater systems, calculated revenue deficiencies and revenue requirements,  
10 and designed rates.

11 **Q. Have you previously appeared and presented testimony before any regulatory bodies?**

12 I have prepared and presented expert testimony in the areas of regulatory accounting, rate  
13 regulation and utilities in general, before various federal, state, county, courts and regulatory  
14 agencies, including the Florida Public Service Commission, Collier, Hillsborough, St. Johns  
15 and Washington Counties, the Circuit Court in Palm Beach County, the Town of Jupiter, the  
16 City of Miami, and the US Bankruptcy Court.

17 **Q. On whose behalf are you presenting this testimony?**

18 A. I am presenting this testimony and appearing on behalf of Utilities, Inc. of Florida (UIF), the  
19 applicant for rate increase in the present docket.

20 **Q. What is the purpose of your direct testimony?**

21 A. The purpose of my direct testimony is to present information supporting the financial basis  
22 for UIF's request to increase its rates and charges as presented in the MFRs, to provide  
23 supporting schedules to show the basis for the requested rates and charges.

24 **Q. Are you sponsoring any exhibits?**

25 A. Yes, I am sponsoring three exhibits. Exhibit DDS-1 contains MFR Volume I – Financial,

1 Rate and Engineering (except the F schedules that were prepared and sponsored by Mr.  
2 Seidman). Exhibit DDS-2 are the reconciliation schedules.

3 **Q. Were these Exhibits prepared by you and your staff?**

4 A. Yes they were. As is customary, they were prepared from financial information provided to  
5 my staff and me by UIF.

6 **Q. Are there any particular explanations you want to make with regard to the MFRs?**

7 A. Yes, the last rate case for the Sandalhaven system was protested by OPC and in the settlement  
8 between OPC and UIF, which the Commission accepted, it was agreed that the protested  
9 issues would have no precedential value. Those issues were rate base related, so appropriate  
10 notations have been made on the affected schedules.

11 **Q. Are you familiar with the treatment in Sandlahaven's last rate case of the forced  
12 abandonment of its wastewater treatment plant?**

13 A. Yes, the Commission amortized the forced abandoned plant over 10 year, and required a rate  
14 reduction at the end of the amortization period.

15 **Q. Do you believe that treatment was appropriate?**

16 A. It is my opinion that the amortization period was appropriate, but not the automatic rate  
17 reduction. The amortization was determined pursuant to PSC Rule 25-30.433(8), F.A.C.  
18 which does not provide the authority for an automatic rate reduction. Further, with a revenue  
19 requirement of \$1,229,183, the amortized amount is only about 1% of the revenue  
20 requirement, which at the end of the ten year amortization period will be even more  
21 insignificant.

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

23 A. Yes, it does.

24

25

1 CHAIRMAN BROWN: Staff?

2 EXAMINATION

3 BY MS. MAPP:

4 Q Good afternoon, Ms. Swain. Have you had an  
5 opportunity to review staff's comprehensive exhibit  
6 list, specifically the exhibits identified with your  
7 name?

8 A Yes, I think.

9 Q And did you prepare these exhibits or were  
10 they prepared under your direction or supervision?

11 A Yes.

12 Q And are they true and correct to the best of  
13 your knowledge and belief?

14 A Yes, they are.

15 Q Would your answers be the same today as they  
16 were when you prepared these exhibits?

17 A Yes, they would.

18 Q And are any portion of your exhibits  
19 confidential?

20 A No, they are not.

21 MS. MAPP: Thank you.

22 EXAMINATION

23 BY MR. FRIEDMAN:

24 Q Ms. Swain, would you like to give a brief  
25 summary of your direct testimony?

1           A       Sure.  The -- the purpose of my direct  
2 testimony is to present information supporting the  
3 original minimum filing requirements -- with the  
4 exception of the "E" schedules, which were prepared by  
5 Mr. Deason, and the "F" schedules, which were prepared  
6 by Mr. Seidman -- subsequent revisions to those  
7 schedules, and additional exhibits to reflect updated  
8 pro forma information.

9                   These schedules were prepared by me or under  
10 my direction based on information provided by the  
11 utility and were prepared in accordance with Commission  
12 rules.

13                   That concludes my summary.

14                   CHAIRMAN BROWN:  Thank you.

15                   MR. FRIEDMAN:  I tender her for cross-  
16 examination.

17                   CHAIRMAN BROWN:  Great.

18                   Ms. Christensen.

19   EXAMINATION

20 BY MS. CHRISTENSEN:

21           **Q       Good afternoon, Ms. Swain.  And we just have a**  
22 **few questions here today regarding your direct**  
23 **testimony.  Most of our questions will be directed at**  
24 **your rebuttal, based on this morning's conversation.**

25                   **Is it correct that you have only two pages of**

1 direct testimony -- written direct testimony?

2 A Yes, that's correct.

3 Q Okay. And you sponsored the MFRs, correct,  
4 except for the "E" and the "F" schedules?

5 A Correct.

6 Q Okay. Can I ask you to turn to your  
7 Schedule B3 for Sanlando. And just let me know when  
8 you're there.

9 A (Examining document.) B3?

10 Q I'm sorry. That's Schedule B3 for Sanlando.

11 A Okay. I'm there.

12 Q And you're there? Okay.

13 Can you show me where you explain in your  
14 testimony -- well, excuse me. Let's see. Your  
15 Schedule B3 for Sanlando -- this schedule includes  
16 multiple adjustments for operation and maintenance  
17 expenses; is that correct?

18 A Yes, it does.

19 Q Okay. Now, can you show me where you explain  
20 in your testimony why you have an adjustment of \$9,521  
21 to chemical expenses, which is Line 32 of that schedule?

22 A I don't have that in my testimony. I am  
23 making an adjustment here to match the chemical schedule  
24 provided by Mr. Flynn in his testimony.

25 Q Okay. And the adjustment reads "Adjustment to

1     **accruals and allocations tied to chemical schedules."**

2     **Did you supply the chemical schedule with your direct**  
3     **filing?**

4             A     Not -- no, that was not my schedule. That was  
5     a schedule provided by another company witness.

6             Q     **Okay. And on Line 38, where do you address in**  
7     **your testimony or exhibits how you support the salary**  
8     **adjustment of \$64,724 for water, and \$52,068 for**  
9     **wastewater?**

10            A     Again, this is -- this is a calculation that  
11    was supported by another company witness. It is the --  
12    the pro- -- pro forma addition to salary and wages.

13            Q     **Okay. And do you identify anywhere in your**  
14    **testimony where it includes this cost for an additional**  
15    **employee?**

16            A     No. No. I don't have that in my testimony.

17            Q     **Okay. And let's look at Line 40. Can you**  
18    **show me where, in your direct testimony, you explain the**  
19    **adjustments to purchase power for \$26,653 for water and**  
20    **\$21,440 for wastewater?**

21            A     No, I don't have that in my testimony. Again,  
22    I relied on the information provided by another company  
23    witness.

24                    MS. CHRISTENSEN: We have no further  
25    questions. Thank you.

1 CHAIRMAN BROWN: Thank you.

2 Mr. Armstrong?

3 MR. ARMSTRONG: No questions. Thank you.

4 CHAIRMAN BROWN: Thank you.

5 Staff.

6 MS. MAPP: Yes, staff has a few questions.

7 And we have an exhibit that we would like to be  
8 passed out.

9 CHAIRMAN BROWN: We're at 284. We're going to  
10 give it the title, utility -- "UIF's Responses to  
11 Staff's 9th POD."

12 Ms. Swain, do you have a copy of it --

13 THE WITNESS: Yes.

14 CHAIRMAN BROWN: -- in front of you?

15 THE WITNESS: Yes, I do.

16 CHAIRMAN BROWN: Thank you.

17 You may proceed.

18 (Exhibit No. 284 marked for identification.)

19 EXAMINATION

20 BY MS. MAPP:

21 Q Ms. Swain, if you could, please turn to Page 4  
22 of the document.

23 A Yes, I'm there.

24 Q This is a document that you're familiar with,  
25 correct?

1 A Yes, I am.

2 Q And on this page, Part A of the request, staff  
3 asks the utility to provide any documents associated  
4 with the collection of Tap Fees that give rise to  
5 deferred tax debits, Tap Fees post-2000. Do you see  
6 that?

7 A Yes, I do.

8 Q The utility did not provide staff with any  
9 corresponding documents, correct?

10 A Correct.

11 Q And Part B of the request, staff asked the  
12 utility to provide documentation that demonstrates that  
13 the utility paid income tax on the income from Tap Fees  
14 post-2000. The utility also did not provide this  
15 documentation to staff that it had paid the income tax  
16 on post- -- tap -- on the Tap Fees post-2000, correct?

17 A Correct.

18 Q Can you please read the response that the  
19 utility did provide to staff's request?

20 A Yes. And just to provide a -- a little bit of  
21 background, the information was not provided because, at  
22 that point in time, we were not going to defend having  
23 the Tap Fees be included, the -- the deferred tax  
24 associated with Tap Fees included in the MFRs.

25 So, our response at that time was that,

1 although the company's position is that taxes were  
2 correctly paid on the post-2000 Tap Fees, the company is  
3 in agreement to remove the assoc- -- the accumulated  
4 deferred income taxes associated with post-2000 Tap Fees  
5 from the determination of revenue requirement.

6 **Q Okay. And you stated that, at the time the**  
7 **response was provided, the utility was not sure it**  
8 **wanted to defend the income tax and the Tap Fees post-**  
9 **2000, correct?**

10 A Correct. In its -- in its last two rate  
11 cases, those deferred taxes were not allowed because it  
12 was determined by the Commission that the payment of the  
13 income taxes was not justified. And at this point, when  
14 this question was asked, we were not going to defend  
15 that because we had already lost it in two prior cases.

16 However, after those were -- the response, we  
17 determined that there was a portion that should be  
18 included. And I provided information about that in a  
19 late-filed exhibit.

20 **Q And could you turn to the second-to-last page**  
21 **of that document. It's labeled the "Certificate of**  
22 **Service," Page No. 1.**

23 A Okay.

24 **Q And on what date was this response submitted?**

25 A This was submitted on the 15th day of April.

1 Q And what date was it filed?

2 A (Examining document.)

3 Q That would be in the upper right-hand corner.

4 CHAIRMAN BROWN: On Page 1 of that document.

5 A April -- April 17th.

6 Q Of this year, correct?

7 A Yes.

8 MS. MAPP: Thank you. I have no further  
9 questions for the witness.

10 CHAIRMAN BROWN: Thank you.

11 Commissioners, any questions for Ms. Swain?

12 Seeing none --

13 MS. CHRISTENSEN: Madam -- Madam Chair, may I  
14 make an observation? We had questions along  
15 similar lines, along this -- regarding the Tap  
16 Fees. And we had reserved them for rebuttal, given  
17 the earlier discussion, but since staff brought it  
18 up, we're prepared to address it now. But we can  
19 also address it is in rebuttal. That was what we  
20 were presuming to do. And we'll do it at the  
21 Chair's discretion.

22 CHAIRMAN BROWN: Mr. Friedman, any comments or  
23 thoughts on it?

24 MR. FRIEDMAN: As long as we don't do it  
25 twice.

1 CHAIRMAN BROWN: Staff, any comments?

2 MS. MAPP: Yes. This particular set of  
3 questions was for direct. We do have further  
4 questions for the witness on Tap Fees in rebuttal.  
5 And we reserve those questions for that time.

6 CHAIRMAN BROWN: Let's just hold off until  
7 rebuttal. Sound good?

8 MS. CHRISTENSEN: Okay. We'll do that, then.

9 CHAIRMAN BROWN: Okay. Thank you.  
10 Redirect. No redirect?

11 Okay. We have some witnesses -- we have some  
12 exhibits associated with this witness, Exhibits 86  
13 and 87. Any objection to moving those into the  
14 record?

15 Seeing none, we'll go ahead and move into the  
16 record Exhibits 86 and 87.

17 (Exhibit Nos. 86 and 87 admitted into the  
18 record.)

19 CHAIRMAN BROWN: And then staff has  
20 Exhibit 284 associated with this witness.

21 MS. MAPP: We would like that exhibit moved  
22 in.

23 CHAIRMAN BROWN: Seeing no objection, we will  
24 go ahead and move into the record Exhibit 284.

25 (Exhibit No. 284 admitted into the record.)

1 CHAIRMAN BROWN: And Ms. Swain, you are  
2 excused.

3 THE WITNESS: See you later.

4 CHAIRMAN BROWN: Thank you.

5 That concludes the direct case for Utilities,  
6 Inc. of Florida?

7 MR. FRIEDMAN: That does.

8 CHAIRMAN BROWN: We will be moving, now, on to  
9 Office of Public Counsel's direct case.  
10 Ms. Christensen, do you believe -- do you need a  
11 five-minute break to get adjusted or are you ready  
12 to proceed?

13 MS. CHRISTENSEN: If you will give me one  
14 moment, I will get my books here, and I'm ready to  
15 proceed.

16 MR. FRIEDMAN: I wouldn't mind a three-  
17 minute --

18 CHAIRMAN BROWN: Okay. Three-minute break?

19 (Laughter.)

20 CHAIRMAN BROWN: All right. Let's take a  
21 five-minute break and we'll be back here. Thank  
22 you. We're in recess.

23 (Brief recess.)

24 CHAIRMAN BROWN: We are getting back on the  
25 record now.

1 MS. CHRISTENSEN: Thank you. Good afternoon.

2 CHAIRMAN BROWN: Good afternoon.

3 MS. CHRISTENSEN: OPC would like to call  
4 Ms. Denise Vandiver to the stand.

5 CHAIRMAN BROWN: Ms. Vandiver has been sworn  
6 in?

7 MS. CHRISTENSEN: Yes, she has.

8 CHAIRMAN BROWN: Earlier this morning.

9 EXAMINATION

10 BY MS. CHRISTENSEN:

11 Q Can you please state your name and your  
12 business address for the record.

13 A Yes, my name is Denise Vandiver. My address  
14 is 111 West Madison Street, Tallahassee, Florida.

15 Q And did you cause to be prefiled direct  
16 testimony consisting of 27 pages in this docket?

17 A Yes, I did.

18 Q And do you have any corrections to your  
19 testimony?

20 A No.

21 Q And if I were to ask you the same questions  
22 today, would your answers be the same?

23 A Yes.

24 MS. CHRISTENSEN: I would ask that

25 Ms. Vandiver's prefiled direct testimony -- well,

1           let me ask her about the exhibits first and then  
2           I'll ask her to be admitted into the record as  
3           though read.

4       BY MS. CHRISTENSEN:

5           **Q       Ms. Vandiver, did you also include with your**  
6           **prefiled direct testimony seven exhibits labeled DNV-1**  
7           **through DNV-7?**

8           A       Yes, I did.

9           **Q       And did you have any corrections to your**  
10          **exhibits?**

11          A       No, I do not.

12                   MS. CHRISTENSEN: Now I will ask to have her  
13                   testimony read into the record as though read.

14                   CHAIRMAN BROWN: We will go ahead and insert  
15                   Ms. Denise Vandiver's prefiled direct testimony as  
16                   though read.

17                           (Prefiled direct testimony inserted into the  
18                   record as though read.)

19

20

21

22

23

24

25



1 years in the Economic Regulatory Standards Control Section and the Division of  
2 Research and Regulatory Review as an Economic Analyst and supervisor performing  
3 various reviews in all industries regulated by the PSC. I was appointed as Bureau Chief  
4 of Auditing Services in January 1993, with the responsibility of managing all the  
5 financial audits performed by the Commission's four district offices. Prior to my work  
6 at the Commission, I worked at the City of Jacksonville Beach and Memorial Medical  
7 Center in Savannah, Georgia.

8

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA**  
10 **PUBLIC SERVICE COMMISSION?**

11 A. Yes. I testified on behalf of the PSC staff in two rate cases: the Spring Hill Utilities, a  
12 division of Deltona Utilities, Inc., rate case, Docket No. 830059-WS and the Martin  
13 Downs Utilities, Inc. rate case, Docket No. 840315-WS. I also testified on behalf of the  
14 PSC before the Division of Administrative Hearings in Case No: 97-002485RU; Aloha  
15 Utilities, Inc., and Florida Waterworks Association, Inc., Petitioners, vs. Florida Public  
16 Service Commission, Respondent, and Citizens of the State of Florida, Office of Public  
17 Counsel, Intervenors. Since I have been with the Office of Public Counsel, I have  
18 testified in two rate cases: the Aqua Utilities Florida, Inc. rate case, Docket No. 100330-  
19 WS and the Water Management Services, Inc. rate case, Docket No. 110200-WU.

20

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. My testimony provides a summary of the various letters, testimony, exhibits and  
23 discovery that addresses issues regarding the quality of service that occurred  
24 during or after the test year. Sections 367.081(2)(a)1 and 367.0812, Florida  
25 Statutes (F.S.), provide the Commission shall consider the quality of the service  
26 when setting rates. Commission Rule 25-30.433(1), Florida Administrative Code

1 (F.A.C.), further details the Commission's requirements as follows:

2  
3 The Commission in every rate case shall make a determination  
4 of the quality of service provided by the utility. This shall be  
5 derived from an evaluation of three separate components of  
6 water and wastewater utility operations: quality of utility's  
7 product (water and wastewater); operational conditions of  
8 utility's plant and facilities; and the utility's attempt to address  
9 customer satisfaction. Sanitary surveys, outstanding citations,  
10 violations and consent orders on file with the Department of  
11 Environmental Protection (DEP) and county health departments  
12 or lack thereof over the preceding 3-year period shall also be  
13 considered. DEP and county health department officials'  
14 testimony concerning quality of service as well as the testimony  
15 of utility's customers shall be considered.

16

17 For my testimony, I have reviewed the testimony and attached exhibits of the  
18 Utilities, Inc. of Florida (UIF or Utility) witnesses for quality of service issues. I  
19 have gathered the data I found on the Florida Department of Environmental  
20 Protection (DEP) Oculus public database, UIF's Minimum Filing Requirements  
21 (MFRs), and deficiency responses addressing various quality issues for DEP  
22 quality of service issues. I have also assembled the customers' letters filed in the  
23 docket file. In addition, I have compiled the service complaints filed by UIF as  
24 part of its initial filing and in response to the Commission Staff's deficiency  
25 letters. I have also summarized the customer testimony presented at the eight  
26 Commission Customer Service Hearings. My testimony attempts to provide all  
27 this information in a summary format for the Commission to consider in its  
28 determination of UIF's quality of service.

29

30 **Q. WHY DID YOU INCLUDE QUALITY OF SERVICE ISSUES THAT**  
31 **OCCURRED AFTER THE TEST YEAR?**

32 A. The Commission should make its determination of quality of service based upon

1 the most up-to-date information available. Quality of service issues, like water  
2 quality, affect the customers' quality of life and their pocketbooks. If a situation  
3 that arose after the test year affects the quality of service determination, then it  
4 could be an indication of an issue which the Commission should consider when  
5 making its determination.

6

## 7 **DEP QUALITY OF SERVICE ISSUES**

8 **Q. WHAT DID YOU REVIEW REGARDING DEP QUALITY OF SERVICE**  
9 **ISSUES?**

10 A. DEP information about UIF's quality of service issues was obtained from a  
11 number of sources. I reviewed the documentation submitted by the Utility with  
12 its MFRs as well as its responses to the deficiency letters. I also reviewed the  
13 documentation available to the public on the DEP Oculus database. I used the  
14 System ID numbers shown on the operating reports included in the MFRs. I then  
15 searched Oculus for all correspondence for each system and created a list of the  
16 correspondence that related to quality of service complaints and deficiencies.  
17 While Oculus contains information related to UIF systems going back many  
18 years, I have only included items from the 2015 test year through January 2017.  
19 This is attached to my testimony as DNV-2.

20

21 **Q. CAN YOU SUMMARIZE THE HIGHLIGHTS OF THIS LIST OF DEP**  
22 **QUALITY OF SERVICE ISSUES?**

23 A. I created a summary of the list which is page 1 of DNV-2 that indicates four  
24 categories of water issues. These four categories pertain to five of UIF's systems,  
25 some with more than one issue. Most notably, there is one consent order for Lake  
26 Utilities Services, Inc. (LUSI) and three systems with deficiencies noted on the

1 Sanitary Survey (Labrador, Sanlando, and UIF-Pasco). The schedule also  
 2 includes five categories of wastewater issues which pertain to 11 of UIF's  
 3 systems, some again with more than one issue. Most notably, there are two  
 4 consent orders (Sandalhaven and Sanlando), and seven systems with deficiencies  
 5 noted on the Compliance Inspection Report (Cypress Lakes, Eagle Ridge, Lake  
 6 Placid, LUSI, Mid-County, Pennbrooke, and Sanlando).

7  
 8 The remainder of the quality of service issues listed include Boil Water Notices,  
 9 Sewage Spills, Customer Complaints to DEP, Phosphorous exceedances by  
 10 wastewater systems, and a follow-up on chlorine residuals.

11  
 12 **Q. DO YOU HAVE ANY COMMENTS REGARDING THESE FINDINGS?**

13 A. Yes, I do. These issues should be included for consideration by the Commission  
 14 in this rate proceeding and should be evaluated as a part of the overall quality of  
 15 service issue. Any evaluation should include consideration of these issues, even  
 16 if the Utility has since corrected any deficiencies. The customers who have  
 17 experienced these quality issues have paid rates as if UIF was in compliance, and  
 18 UIF should not be allowed to operate in non-compliance during the test year then  
 19 resolve any deficiencies for the rate case and expect to get a clean bill of health.

20  
 21 **CUSTOMER COMPLAINTS TO THE UTILITY**

22 **Q. DID YOU REVIEW THE CUSTOMER COMPLAINTS FILED AS PART**  
 23 **OF THE UTILITY'S MFRs?**

24 A. Yes, I reviewed these customer complaints and tabulated all the quality  
 25 complaints. This tabulation is included with my testimony as DNV-3. This does  
 26 not include the complaints labeled as "billing" complaints by the Utility. UIF

1 failed to provide the quality of service or billing complaints in a form that would  
 2 allow easy manipulation. Therefore, I only focused on the quality of service  
 3 complaints in my table. However, I skimmed over the billing complaints and  
 4 have a few comments that I will discuss later in my testimony. In addition, UIF  
 5 has not provided the last five years of quality of service complaints as required  
 6 by Commission Rule 25-30.440 (11), F.A.C.,<sup>1</sup> for the Sanlando system.  
 7 Therefore, I have only included the one year that the Utility actually submitted  
 8 in response to the long list of deficiencies noted by Staff to UIF’s MFRs.

9

10 **Q. WHAT HIGHLIGHTS DID YOU FIND WHEN YOU SCANNED THE**  
 11 **BILLING COMPLAINTS?**

12 A. Generally, my review of the billing complaints shows that most of these  
 13 complaints occur after a customer received a high bill and UIF conducted a  
 14 follow up investigation to determine whether there is a leak that is the  
 15 responsibility of the Utility. I would also note that several of the billing  
 16 complaints included in the MFRs also included complaints relating to the quality  
 17 of service provided by the Utility. Several examples of these quality of service  
 18 complaints are found in UIF’s response to Staff’s deficiencies (Document No.  
 19 08552-16):

- 20 • Pennbrooke - 4/9/15 - 512 Grand Vista Trail: Water is coming out with black  
 21 sediment and is damaging all her filters (PDF Page 1124)
- 22 • LUSI (Lake Louisa) - 1/27/15 – 11250 Wishing Well Lane: Water pressure  
 23 is lower than normal in portions of the house (PDF Page 1079)
- 24 • LUSI (Four Lakes) – 12/16/15 – 16153 Harbar Oaks Drive: Wants her water

---

<sup>1</sup> Rule 25-30.440(11) requires UIF to “Provide a copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years.”

1 checked, it tastes like it has a lot of chemicals in it. (PDF Page 1020)

- 2 • UIF-Orange – 11/2/15 – 67 N Main Street: The water pressure is very low,  
3 plus sand, grit in the water and they have to keep cleaning out the filters.  
4 (PDF Page 1019)

5  
6 **Q. WHAT DID YOU FIND IN YOUR REVIEW OF THE QUALITY OF**  
7 **SERVICE COMPLAINTS?**

8 A. As indicated on the summary page in Exhibit DNV-3, the systems with the  
9 highest rate of complaint are the systems providing water service. There are a  
10 lesser number of quality of service complaints from wastewater customers unless  
11 there is a lift station or manhole overflow or a blockage or other sewer back up  
12 at the customers' premises. I calculated an average annual complaint rate by  
13 comparing the average number of complaints for 2011-2015 to the total  
14 customers at the end of 2015 for each of the systems. Of the eleven UIF water  
15 systems, eight systems have an average annual complaint rate greater than 1%.  
16 Since there is no criteria established by the Commission for rate of complaints, I  
17 used a greater than 1% complaint rate as an indicator for which systems  
18 necessitated a more in-depth review.

19

<b>Total Complaints 2011 - 2015</b>					
<b>System</b>	<b>Customers</b>	<b>Odor-Water</b>	<b>Color</b>	<b>Low Pressure</b>	<b>Odor-WWTP</b>
Cypress Lakes	1,517	>120		25	
Labrador	900		13	110	29
Lake Placid	123	5			
LUSI	10,298	>70	>80	>200	
UIF-Marion	519			26	
UIF-Pasco	2,915	>80	>80	20	
UIF-Pinellas	506			26	
UIF-Seminole	2,574	>115	>100	>119	

1

2 **Q. WHAT DID YOU FIND REGARDING THOSE SYSTEMS WITH AN**  
3 **AVERAGE ANNUAL RATE OF COMPLAINT OVER 1%?**

4

5 A. I found a multitude of common issues regarding the color, taste, and smell of the  
6 water. In addition, certain systems had a large number of complaints relating to  
7 pressure. With respect to the disposition of complaints, frequently it was difficult  
8 to determine the actual resolution by UIF as the description merely states that the  
9 field technician “spoke with customer” or would “follow up.”

10

11 **Q. DO YOU HAVE ANY CONCERNS REGARDING THE COMPLAINTS**  
12 **THAT YOU REVIEWED?**

13

A. Yes, I do. To begin, the Utility submitted its response to Staff’s first deficiency  
14 letter on October 31, 2016, which included approximately 290 pages of customer  
15 complaints. The Utility then submitted its response to Staff’s second deficiency

1 letter on November 22, 2016 with approximately 125 pages of customer  
2 complaints. That date was established as the official filing date.

3

4 On February 25, 2017, we received in Excel format a discovery response  
5 containing many more customer complaints received by UIF during the test year;  
6 however, these complaints were not provided with the MFRs or in the responses  
7 to Staff's deficiency letters. The discovery request was for all contacts filed by  
8 the customers with UIF for 2013-2016. The due date for this discovery request  
9 was February 22, 2017; therefore, we did not receive these complaints in a timely  
10 manner for all UIF's systems. On February 25, 2017, we received the complaints  
11 as follows: Cypress – 2015; LUSI – 2015; UIF – 2015; Labrador – 2013, 2014,  
12 2015; and Pennbrooke – 2013, 2014, 2015. And UIF has provided no explanation  
13 as to why these complaints were not included with its MFR's or in response to  
14 Staff's deficiency letters.

15

16 **Q. WHAT DID YOU FIND WHEN YOU REVIEWED THESE FILES?**

17 A. I have not had time to analyze all of these new complaints in depth; however, my  
18 preliminary review reveals there are significantly more customer complaints  
19 recorded in these files than reported to the Commission in the MFRs or in  
20 response to Staff's deficiency letters.

21

22 For instance, I reviewed the complaints included in the 2015 file for Pennbrooke.  
23 The MFRs included 17 complaints for 2015, yet the Excel file provided in the  
24 discovery response included at least 90 complaints for this same period.  
25 Moreover, it is not clear as to the exact number of complaints since there does  
26 not appear to be a consistent application of the coding by UIF for each contact.

1 In addition, I found numerous complaints under codes not used specifically for  
2 customer complaints such as ACCT UPDATE, COMINQ, CUSTPAY, and  
3 CUSTPROB.

4  
5 **Q. HOW DOES THIS IMPACT THIS RATE PROCEEDING?**

6 A. It is axiomatic that UIF has the burden to demonstrate its quality of service is  
7 satisfactory. As stated previously, the Commission must make a determination  
8 regarding the overall quality of service provided by the Utility by evaluating  
9 three separate components of its operations. One of these components is the  
10 Utility's attempt to address customer satisfaction. The Commission and  
11 intervenors cannot perform a reasonable review without having all the relevant  
12 and accurate complaint information for UIF, including the total population of  
13 complaints. If the Utility does not provide a complete record of all customer  
14 complaints it has received, then it has not met its burden of proof for this issue  
15 making it impossible for the Commission to render a satisfactory quality of  
16 service determination. A utility is in control of when it will submit a petition for  
17 a change in its rates, and has the absolute obligation to provide the Commission  
18 with ALL the customer complaints in its possession at the time it files for such  
19 rate relief. It is not fair, just or reasonable to its ratepayers for a utility to wait  
20 almost six months after it files its initial petition for rate relief and more than  
21 three months after it cures its MFR deficiencies to provide this required  
22 complaint information.

23  
24 **Q. IN YOUR OPINION, DID UIF FULLY COMPLY WITH THE**  
25 **COMMISSION'S RULES REGARDING CUSTOMER COMPLAINTS?**

26 A. No, it did not. I do not believe that the Utility has fully complied with the

1 Minimum Filing Requirements and should be required to do so before any rate  
2 increase is considered. Allowing UIF to violate the statutory and regulatory  
3 requirements in this manner is prejudicial to its customers.  
4

## 5 **CUSTOMER LETTERS**

6 **Q. DID YOU REVIEW THE CUSTOMER LETTERS FILED IN THIS**  
7 **DOCKET?**

8 A. Yes, I did. I reviewed and logged in each of the customer letters and customer  
9 comments filed at the Commission. I also prepared Exhibit DNV-4 to summarize  
10 this information which includes over 750 individual letters and comments. For  
11 purposes of this exhibit, if any household submitted the same letter more than  
12 once, I only included the first one filed in my summary; however, if there were  
13 multiple unique letters filed by the same household, each of those unique letters  
14 was included. For purposes of this testimony, I have listed each letter and  
15 comment by the customer name and the document number assigned by the  
16 Commission Clerk.

17

18 **Q. WHAT ELSE DO YOU INCLUDE IN THIS EXHIBIT?**

19 A. Each letter and comment is categorized in the exhibit. The majority of the  
20 customer letters and comments express concerns relating to the Utility requesting  
21 another rate increase. Many of these systems have seen repeated increases  
22 requested by UIF every 3 years or so. These increases are in many cases  
23 substantial and are in addition to the annual price index and pass-through  
24 increases obtained by the Utility. In addition, there are numerous customers who  
25 have commented that the quality of the water is so bad, it is insulting to continue  
26 to pay more for it, especially considering how many customers testified that they

1 are unable to use the water for routine daily activities, such as cooking, washing,  
2 and drinking and are forced to purchase equipment, filters, and bottled water to  
3 be able to live with the water provided by UIF. Some of the specific excerpts  
4 from letters are as follows:

- 5  
6 ○ Ms. Vasely asks the question that with all the rate increases in the past, why are  
7 rates going up again – where has all the money gone? (Document No. 02088-  
8 17)
- 9  
10 ○ Ms. Ratliff writes that every three months she replaces her water heater filter  
11 and it is filled with sand. (Document No. 01871-17)
- 12  
13 ○ Ms. Scott writes “poor water quality – need filters to drink it, calcium deposits  
14 so bad dishwasher had to be replaced even though it worked.” (Document No.  
15 01494-17)
- 16  
17 ○ Mr. Chaloupka is concerned with whether the system is being maintained  
18 properly as well as the poor response when there is a problem. (Document No.  
19 01496-17)
- 20  
21 ○ Mr. Dunn writes that there “have been many times where my water pressure in  
22 the last five to eight years has been poor. I have called Utilities Inc. Sanlando  
23 several times. They always come out and check the pressure and flippantly state  
24 they are meeting the requirements.” (Document No. 01561-17)
- 25  
26 ○ Ms. Genzlinger writes that “100% of the homes in Pennbrooke Fairways have  
27 iron stains on the outside of their homes from the water sprinkler systems.” In  
28 addition, she writes that “95+% of the homes in Pennbrooke Fairways purchase  
29 water filtering systems to remove SOME of the iron and sediments that comes  
30 into the homes.” (Document No. 01600-17)
- 31  
32 ○ Mr. Patterson writes that a “158.2% increase for sulfur smelling, iron laden and  
33 low water pressure is absurd. We've had numerous NO water pressure situations  
34 over the 20+ years and never a boil water notice with total loss of water  
35 pressure. Isn't this both dangerous and illegal?” (Document No. 01208-17)

1  
2 ○ Xiomara Raba, the Pennbrooke Community Association Manager, wrote  
3 regarding the “long history of dissatisfaction with water pressure and quality,  
4 and the utility has on several occasions filed rate cases with overstated costs  
5 resulting a considerable effort on our part, and by the Public Service  
6 Commission and the Office of Public Counsel, to expose the defects in the  
7 filings.” Document No. 08802-16)

8  
9 ○ Mr. and Mrs. Carver write “we have been experiencing water problems such as  
10 sulfur smelling or rotten egg smell, and brown water.” They also included a  
11 timeline from March 2016 to July 2016 of numerous calls to the Utility and  
12 elected officials to try to resolve the problems. This timeline included at least  
13 18 calls to the Utility. (Document No. 05768-16)

14  
15 ○ Ms. Lemonier writes “I have a water main that has been broken and repaired  
16 three times on my street...they aren't doing the job now why should we pay them  
17 more!” (Document No. 00285-17)

18  
19 ○ Mr. Robinson writes the “idea of nearly tripling the costs either reveals  
20 mismanagement of funds by the utility or poor budgetary planning.” (Document  
21 No. 00527-17)

22  
23 ○ Mr. May also writes that having “seen a pipe burst under the street a several  
24 times on Smokerise Blvd, and knowing the Utilities company has dug it up and  
25 made several repairs (never permanent, as it bursts and ruptures water up  
26 through the street surface again soon thereafter) I question the local  
27 management and operational teams whether they are effective and fiscally  
28 responsible in their work and efforts. The little exposure I've had to Utilities  
29 Inc. based on their field work in this area makes me question their effectiveness  
30 in operations and management.” (Document No. 01039-17)

31  
32 Customers have also raised concerns with UIF’s proposal to consolidate rates:

33  
34 ○ Mr. and Mrs. Browne write that the “letter from Utilities Inc. of Pennbrooke  
35 states that a number of capital projects are planned for Utilities Inc. locations-  
36 none of which seem to affect Pennbrooke Fairways. Why should we subsidize  
37 projects in other communities?” (Document No. 01486-17)

38  
39 ○ Mr. Erwin writes that using “the reasoning that standardizing rates across all

1 Utilities, Inc. properties makes administration easier for them, or that we are  
2 somehow "pre-paying" for possible, future upgrades to our facilities, does not  
3 sound reasonable or give me any assurance that they have managed their  
4 business well." (Document No. 01039-17)

- 5  
6 ○ Mr. Stevenson writes that if "you combine systems you do it to be cost-effective  
7 it should not cost more to operate." (Document No. 01969-17)

8

9 **Q. ARE THERE ANY TYPES OF LETTERS THAT ARE NOT INCLUDED**  
10 **IN YOUR SCHEDULE?**

11 A. Yes, there are. In addition to the letters I already addressed that were duplicates,  
12 there are 14 filings received from Mr. Shallcross, eleven of which addressed  
13 specific issues and concerns regarding this rate case. Mr. Shallcross identified  
14 many concerns with the notice provided to customers regarding the interim  
15 increase, the rate case proceeding, and the service hearings. He further criticized  
16 the Utility's customer service. While his landlord is the customer of record, Mr.  
17 Shallcross is the consumer and user of UIF's water; therefore, his personal  
18 knowledge and comments should also be considered. These are included as  
19 Exhibit DNV-5.

20

21 **CUSTOMER SERVICE HEARINGS**

22 **Q. HAVE YOU REVIEWED THE TRANSCRIPTS OF THE**  
23 **COMMISSION'S SERVICE HEARINGS?**

24 A. Yes, I have. I reviewed the eight transcripts from the Customer Service Hearings  
25 and I prepared a summary of the comments made at those hearings. The summary  
26 is attached as Exhibit DNV-6. At six of the eight hearings, there were 163  
27 speakers who testified to over 200 complaints. The testimony primarily  
28 addressed the high rates and the quality of service.

1

2 Pasco County Commissioner Jack Mariano attended the Zephyrhills meeting.  
3 His testimony echoed many of the customer comments and testimony regarding  
4 the quality of water and the fact that UIF has continued to raise rates over the last  
5 25 years without any noticeable improvement to the systems. As Commissioner  
6 Mariano pointed out, the Summertree system has fought for improved service for  
7 25 years. Only after the Legislature appropriated money for an Interconnection  
8 of the system with the county did the customers finally realize improved quality  
9 of water. Commissioner Mariano further testified that UIF adds no benefit to the  
10 customers. Before the interconnection with the county, UIF knew one well was  
11 really bad, yet they utilized the bad well more than the good wells (Zephyrhills  
12 SH TR 22).<sup>2</sup>

13

14 Flip Mellinger, the Assistant County Administrator - Utility Services for Pasco  
15 County, testified at the Summertree hearing. He addressed the recent  
16 interconnection of the Summertree system with the Pasco County water system.  
17 (New Port Richey SH TR 27-32)

18

19 Three elected officials testified at the Altamonte Springs hearing. State  
20 Representative Scott Plakon expressed concerns regarding the doubling of the  
21 rates and the proposed consolidation of rates. He stated any consolidation is  
22 solely for the convenience of the Utility as there are different dynamics in  
23 extracting water in different parts of the state. State Representative Bob Cortes  
24 stated that when he was a City Commissioner and Mayor of Longwood, the city  
25 had looked into purchasing the Utility system but found that the infrastructure

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<sup>2</sup> Service Hearing Transcript (SH TR)

1 was decaying and it would be too expensive to repair on top of the price tag that  
2 UIF was requesting. He also commented about the many complaints regarding  
3 the bad quality of water and customer service. One last concern he expressed was  
4 the impact on future development in the area from the high rates that are being  
5 proposed. Seminole County Commissioner Lee Constantine also addressed the  
6 consolidated rates and said that the “one-size-fits-all is not the right way to go.”  
7 Commissioner Constantine further expressed concern with the customer notice  
8 as there appeared to be “a great deal of misunderstandings and  
9 miscommunications” with the customers. (Altamonte Springs SH TR 28-29)

10

11 The customers testified about a wide range of quality issues ranging from  
12 drinkability to cost to rate design. Primary water quality standards are established  
13 by DEP rule and relate to the safety of the water sold to customer. Secondary  
14 water quality standards are established by DEP rule and relate to aesthetic  
15 attributes of the water sold to customers, including taste, color, odor, sediment,  
16 and other things in the water that, while meeting primary standards, negatively  
17 affect the palatability and use of the water. Many customers addressed these  
18 secondary water quality issues as follows:

- 19 - Ms. Beaulier testified “I never drink the water. It tastes terrible.” (Leesburg  
20 SH TR 41, Line 19)
- 21 - Mr. Vaughn testified “this is the world's worst water I've ever seen in my  
22 entire life.” (Leesburg SH TR 84, Lines 15-16)
- 23 - Ms. Horne testified that “most of us have to use house filters and drink  
24 bottled water because of the smell and the taste.” (Altamonte Springs SH TR  
25 111, Lines 17-18)
- 26 - Ms. Palin testified that the “water tastes terrible.” (New Port Richey SH TR

1 154, Lines 13-14)

2

3 There were also complaints about color:

4 - Mr. Brooke-Stewart testified about the water quality, “especially the rust.

5 The iron content is very, very high . . .”. (Leesburg SH TR 53, Lines 4-5)

6 - Mr. Beeghly also testified that the color of the water has been bad.

7 (Altamonte Springs SH TR 36, Lines 10-11)

8 - Mr. Kehoe testified that before the Summertree system was switched over to

9 County water the water was so bad it colored your clothes in the wash. (New

10 Port Richey SH TR 43, Lines 6-12)

11

12 Some customers testified about the extra costs that they are incurring because of  
13 the poor quality of the water they must buy from UIF. Many customers pay extra  
14 to self-treat UIF’s water and/or buy bottled water for drinking, cooking, and their  
15 pets. Not only do they need to install fixtures to improve the quality of the water,  
16 but they have to replace these (such as toilets, hot water heaters, etc.) more  
17 frequently:

18 - Ms. Minger brought in a water filter that should last three to four months but was  
19 replaced after 45 days. (Leesburg SH TR 43-46)

20 - Ms. Kowynia testified that she has lived in her current house for eight years. In  
21 that time she has replaced the water heater, and has had to replace the filtration  
22 system twice. She testified that “every plumber in the area knows that the only  
23 reason for those pipes to go bad is because the quality of the water in Pennbrooke  
24 is so bad that they frequently tell you to replace it before you install the water  
25 heater.” (Leesburg SH TR 60, Lines 11-15)

26 - Mr. Elkins testified that he has “had to purchase a water conditioner tank,

1 water filter cartridges, and many cases of bottled water. . . . in order for us to  
2 have decent water in our house that we are able to drink and use. Needless to  
3 say, this has been a big expense for us. I also have to continuously purchase  
4 40-pound bags of salt pellets to put into my water conditioner. Let me tell  
5 you, these bags are heavy to lift.” (Lakeland SH TR 20, Lines 15-23)

6  
7 Customers also testified about pressure problems:

- 8 - Mr. Bozoti complained about the continuing pressure problems (Leesburg  
9 SH TR 82)
- 10 - Ms. Baltos also testified that the water pressure bad. (Lakeland SH TR 37,  
11 Line 8)
- 12 - Ms. Jones testified that “our water pressure is horrible.” (Altamonte Springs  
13 SH TR 33, Line 7)
- 14 - Ms. Scott testified that “the pressure is hideous.” (Altamonte Springs SH TR  
15 48, Line 9)

16  
17 Customers also testified to infrastructure problems:

- 18 - Mr. Alexandrowicz testified “the service we receive from Utilities, Inc. It's  
19 terrible. So far on my street where I live, on Autumn Drive, we had nine  
20 water main breaks going in the evening and during the day. . . . I lost my  
21 driveway, I lost the front of my yard the first time, my neighbors all had water  
22 in their garages and some even in their house, and it took them two hours to  
23 get out there and fix this thing. And it's three times the water main has broken  
24 in my -- in the front of my house.” (Altamonte Springs SH TR 39, Lines 21-  
25 24- Page 40, Lines 1-6)
- 26 - Ms. Knuckey also testified they had several water main breaks in her

1 neighborhood. (Altamonte Springs SH TR 75, Lines 2-3),

2

3 One customer expressed concern that she did not get a boil water notice after a  
4 main break:

5 - Ms. Schott said that “the only person who told me was my neighbor.”  
6 (Altamonte Springs SH TR 56, Line 6)

7

8 Customers testified that the requested return on equity was excessive:

9 - Mr. Holmes opined that the 10.4 return on equity is too high. (Altamonte  
10 Springs SH TR 53, Lines 5-7)

11 - Mr. Adams asked how you can justify a 10 plus return on investment in the  
12 current market. (Altamonte Springs SH TR 61, Lines 7-8)

13

14 Customers also testified about damage to property by Utility vehicles.

15 - Mr. Stevenson testified that the trucks broke a bridge in the Cypress Lakes  
16 neighborhood (Leesburg SH TR 77, Line 11)

17

18

19 Customers were also concerned that a uniform rate was an unfair requirement  
20 for some systems to subsidize other systems:

21 - Mr. Shockey managed the rate department of Cleveland Electric Illuminating  
22 for 10 years. His comment was “it would not be permitted in Ohio to  
23 consolidate one community subsidizing another and vice versa. Here you've  
24 got a dozen communities, give or take, that they're trying to consolidate. It  
25 should be based on -- the cost of service should be based on their used and

1           useful equipment and the cost of operating that for that individual  
2           community.” (Leesburg SH TR 55, Lines 12-19)

3           - Mr. Terrero, speaking on behalf of Seminole County (a customer of UIF)  
4           testified to the rate shock to the county (Altamonte Springs SH TR 50, Lines  
5           21-23)

6           - Mr. Scales questioned the very idea of raising rates after a consolidation.  
7           “Now the idea of consolidation, most companies consolidate in order to  
8           reduce cost. That's competently run companies. Now if you consolidate and  
9           the consolidation results in you having to increase your prices, there's little  
10          point in consolidation. It just -- that does not make any sense.” (Altamonte  
11          Springs SH TR 76, Lines 5-10)

12          - Mr. Gross also commented on statements made on the Corix website.  
13          “Corix's strategy is based on the belief that the traditional approach of  
14          applying a standardized system of rates, products, or services across different  
15          customer groups, markets, cost structures, and regulatory jurisdiction  
16          increases regulatory and business risk. Treating all customers the same fails  
17          to meet the unique requirements of separate customers in communities such  
18          as residential developments, military bases, resorts, and university campuses.  
19          A multi-utility approach is the most cost-effective way to serve customers  
20          and communities where economies of scale are not achievable.” (Altamonte  
21          Springs SH TR 86, Lines 20-25- Page 87, Lines )

22  
23          There were also several customers that testified that the notice for this rate case  
24          was confusing and overwhelming:

25          - Ms. Zinser said that “a company this large should certainly be able to send

1 bills that are customer friendly, and that customers can understand, . . .” (New  
2 Port Richey SH TR 151, Lines 3-6)

3 - Ms. Ryan also stated that the paperwork sent by UIF is very confusing. (New  
4 Port Richey SH TR 91, Line 4)

5 - Mr. Ural testified that the “long letter of rate increases was very confusing to  
6 many people . . . Many people have complained that they have not received.  
7 And, of course, it's not -- doesn't come by registered mail, so you don't know  
8 who to believe”. (Altamonte Springs SH TR 73, Line 11-16)

9 - Ms. May also addressed the notice. She testified that “it's very confusing. It  
10 almost had the appearance of spam or junk mail. And had it not been for  
11 fellow neighbors bringing this to our attention, many would not have known  
12 about it. And I feel like many still do not know about it.” (Altamonte Springs  
13 SH TR 87, Lines 21-25)

14

15 **Q. DOES YOUR TESTIMONY SUMMARIZE ALL THE TESTIMONY OF**  
16 **ALL CUSTOMERS FROM THE CUSTOMER SERVICE HEARINGS?**

17 A. No, it does not. In order to make my testimony brief, I only selected a sample of  
18 representative complaints. Furthermore, as customers were encouraged not to be  
19 repetitive in order to hear from everyone in attendance who wanted to speak, the  
20 customer complaints described above may not accurately represent the number  
21 of people complaining about each specific issue as a significant number of  
22 customers simply testified “ditto” that they supported the testimony of other  
23 witnesses. Therefore, if those witnesses did not identify a specific issue, their  
24 issue(s) were not included in my summary.

25

1 **CONCLUSION**

2 **Q. WHAT HAS THE UTILITY STATED REGARDING ITS FUTURE**  
 3 **INFRASTRUCTURE NEEDS?**

4 A. At four of the customer service hearings (Leesburg, Punta Gorda, Summertree,  
 5 and Zephyrhills), UIF’s president, Mr. John Hoy, spoke to infrastructure needs.  
 6 His statement at the Leesburg hearing is as follows:

7  
 8 The state of Florida, if you listen to the American Society of  
 9 Civil Engineers, gets a grade of C+ in terms of the condition of  
 10 our water and wastewater infrastructure, and the EPA estimates  
 11 that about \$16.5 billion will need to be invested over the next  
 12 few years just to bring them up to snuff. We've got some of  
 13 those same challenges with infrastructure. (Leesburg SH TR  
 14 12, Lines 14-20)

15 First, I believe that the Commission should carefully consider what is being said  
 16 by UIF in this quote. Mr. Hoy references the American Society of Civil  
 17 Engineers (ASCE) which provides a comprehensive assessment of the nation’s  
 18 major infrastructure categories once every four years. The last ASCE Report  
 19 Card was prepared four years ago in 2013 and stated that there is a “**significant**  
 20 **backlog of overdue maintenance** across our infrastructure systems” (emphasis  
 21 added) and a “pressing need for modernization.”  
 22 (<http://www.infrastructurereportcard.org>). The Commission should consider  
 23 whether Mr. Hoy’s statement indicates that UIF’s capital improvement needs are  
 24 for planned improvements or for *overdue maintenance* as was suggested by a  
 25 few customers. As such, OPC has a definite concern with the volume of customer  
 26 complaints and whether they are the result of deferred or neglected maintenance.

1 In addition, OPC questions whether any neglected maintenance has resulted in  
2 higher future costs that will be included in this and future rate cases.

3

4 Second, UIF makes a blanket statement about the deteriorating infrastructure  
5 across Florida without distinguishing between privately and public-owned  
6 infrastructure. Further, the Utility has never submitted or discussed that it has  
7 proactively developed an improvement plan for its Florida operations. It would  
8 make sense that a utility the size of UIF would have a five or ten-year capital  
9 improvement plan that identifies future needs, problem areas, and other  
10 concerns, as well as how the Utility plans to address these issues.

11

12 **Q. CAN YOU SUMMARIZE THE MAJOR CONCERNS RAISED BY YOUR**  
13 **TESTIMONY?**

14 A. Yes, I will. Past Commission orders have frequently determined quality of  
15 service based on the Utility's "attempts" to address customer satisfaction.  
16 However, very little evidence has been provided by UIF to show how it has  
17 competently and expediently addressed the secondary concerns that have been  
18 repeatedly articulated by the customers, both in letters to the Commission and in  
19 testimony at the Service Hearings. For example in Summertree, UIF purchased  
20 a system that obviously needed improvements, yet no material improvements  
21 have been implemented by UIF in the 25 years that it has owned the system  
22 (Zephyrhills SH TR 16, Lines 7-19). The Utility has continued to add costs to  
23 rate base; however, the customers never saw an improvement in the quality of its  
24 water until the customers took the initiative to interconnect with Pasco County.  
25 It is the duty of a utility, not the customers, to proactively solve these types of  
26 quality of service issues.

1

2 My exhibits reflect problems that continue year after year with the quality of the  
3 water, customer service issues, and DEP violations. These concerns have  
4 occurred before the test year as well as during the test year. When considering  
5 the quality of service in this proceeding, the Commission should base its  
6 determination on all the evidence provided in this proceeding.

7

8 **Q. CAN YOU SUMMARIZE THE QUALITY OF SERVICE ISSUES IN**  
9 **PRIOR PSC PROCEEDINGS?**

10 A. Yes, I will. I reviewed the last three orders for each UIF system (except for those  
11 that have not had at least three prior rate cases before this Commission.) A  
12 summary of the findings is included as Exhibit DNV-7. In summary, the  
13 following systems have had previous determinations of less than satisfactory  
14 quality of service:

- 15 • Cypress Lakes
- 16 • Labrador
- 17 • Mid-County
- 18 • Pennbrooke
- 19 • UIF-Pasco (Summertree)

20 In addition, my review found that the following systems had DEP violations:

- 21 • LUSI – Consent Order
- 22 • Sandalhaven – Consent Order
- 23 • Sanlando – Consent Order

24

25 Only four UIF systems (Eagle Ridge, Lake Placid, Longwood, and Tierra Verde)

1 have not had DEP Consent Orders discussed in at least one of their last three PSC  
2 proceedings or significant customer complaints. The remainder of the UIF's  
3 systems either continue to experience customer dissatisfaction with the quality  
4 of the water or wastewater service or have been found to be in violation of the  
5 DEP requirements.

6

7 **Q. DO YOU HAVE ANY RECOMMENDATIONS REGARDING QUALITY**  
8 **OF SERVICE?**

9 A. Yes, I do. I recommend that the Commission consider the severity of the quality  
10 of service issues experienced by UIF's customers, the length of time those issues  
11 have existed, whether UIF has proactively attempted to resolve those known  
12 issues, and the existence of DEP violations or consent orders during or after the  
13 test year. My recommendation is based upon the available quality of service  
14 information provided by UIF, obtained through discovery, or from DEP's Oculus  
15 database, much of which I have attempted to summarize in my testimony. Based  
16 upon the quality of service information currently known from the test year and  
17 thereafter relating to specific UIF systems, and summarized in my testimony, I  
18 recommend the Commission consider a finding of marginal or unsatisfactory  
19 quality of service for the following systems:

- 20 ○ Cypress Lakes (DEP Deficiencies, >1% average customer complaints,  
21 past history of customer complaints)
- 22 ○ Labrador (prior Commission orders, >1% average customer complaints)
- 23 ○ LUSI (Consent order)
- 24 ○ Mid-County (prior Commission orders, customer complaints at DEP)
- 25 ○ Pennbrooke (Current and past history of customer complaints)
- 26 ○ Sandalhaven (Consent order)

- 1           ○ Sanlando (Consent order, customer complaints at service hearing)
- 2           ○ UIF
- 3                 ▪ Pasco (Summertree) (prior Commission orders, >1% average
- 4                         customer complaints)
- 5                 ▪ UIF-Seminole (>1% average customer complaints)

6

7           The systems above represent 8 of the 12 systems in this proceeding. UIF has  
8           requested a uniform rate and these systems represent the majority of the systems.  
9           The Commission will also need to determine whether the quality of service  
10          should be applied on a system basis or a consolidated basis.

11

12          If the Commission makes a finding of unsatisfactory quality of service, for all or  
13          some of the systems, I recommend the Commission reduce the return on equity  
14          for the Utility by at least 25 basis points. If the system(s) have a history of  
15          repeated or unresolved issues, the return on equity should be reduced by at least  
16          50 basis points. “History of issues” includes past Commission decisions as well  
17          as past customer complaints. In addition, the quality of service determination  
18          should include also those systems where the quality of service may have been  
19          found satisfactory in the past, yet there were strong indications that the customers  
20          were dissatisfied with the secondary standards, pressure, or other  
21          water/wastewater issues, and the Utility has failed or refused to proactively  
22          address those issues. If UIF ignored evidence presented in prior rate case  
23          proceedings that its customers are dissatisfied with the quality of service and no  
24          action was taken to address or improve that service, then that supports a further  
25          reduction in the return on equity. A well-run utility should not wait until the  
26          Commission imposes a penalty before it decides to provide the satisfactory

1           quality of service that its customers are paying for and deserve.

2

3   **Q.    WHAT ABOUT SATISFACTORY QUALITY OF SERVICE FINDINGS**  
4   **FOR THE REMAINING UIF SYSTEMS?**

5   A.    I do not have any specific recommendation for those systems, and leave it to the  
6        Commission to decide whether the evidence supports taking affirmative action  
7        against the Utility. I based my recommendations above on known information  
8        about the systems which should be considered marginal or unsatisfactory.

9   **Q.    DOES THAT CONCLUDE YOUR TESTIMONY?**

10  A.    Yes, it does.

1 CHAIRMAN BROWN: Staff, do you have questions  
2 for Ms. Vandiver?

3 MR. TRIERWEILER: Yes, Madam Chair.

4 EXAMINATION

5 BY MR. TRIERWEILER:

6 Q Good afternoon, Ms. Vandiver.

7 A Good afternoon.

8 Q Have you had an opportunity to review staff's  
9 comprehensive exhibit list, specifically staff exhibits  
10 identified with your name?

11 A Do I have some?

12 MR. TRIERWEILER: (Examining document.) I  
13 think that's accurate.

14 CHAIRMAN BROWN: Okay.

15 (Laughter.)

16 Ms. Christensen?

17 MS. CHRISTENSEN: Given that, I would ask that  
18 Ms. Vandiver provide her summary of her testimony.

19 CHAIRMAN BROWN: Thank you.

20 And welcome.

21 THE WITNESS: Thank you. Good afternoon  
22 Chairman and Commissioners. My testimony addresses  
23 the quality of service. Florida Statutes requires  
24 that the Commission consider the quality of service  
25 in every rate proceeding.

1           The purpose of my testimony is to compile many  
2 of the components that I believe should be  
3 considered in your review that are very important  
4 issues.

5           Section 367.0812 of the Florida Statutes  
6 states that the Commission shall, in part, consider  
7 the testimony and evidence provided by the  
8 customers and the utility as well as complaints  
9 filed by customers with the Commission and with the  
10 Department of Environmental Protection.

11           My testimony summarizes the testimony of the  
12 customers and the complaints provided by the  
13 utility and the complaints reflected on the DEP  
14 website.

15           My testimony includes six exhibits that  
16 summarize the work that I've performed. My  
17 Exhibit DNV-2 lists the correspondence I found on  
18 the DEP website regarding quality-of-service issues  
19 for each of the systems included in this rate case.

20           The first page of this exhibit is a summary of  
21 the number of issues for each system. Most  
22 concerning are the three consent orders and the ten  
23 out-of-compliance inspection reports.

24           My Exhibit DNV-3 is a summary of a customer  
25 complaint submitted by the company. Commission

1 Rule 2530.440, Subsection 11, requires that the  
2 utility provide a copy of all customer complaints  
3 that the utility has received regarding DEP  
4 secondary water-quality standards during the past  
5 five years.

6 The utility provided with its MFRs a list of  
7 complaints for all systems except for Sanlando.  
8 The utility only provided the 2015 complaints for  
9 Sanlando. I have summarized these complaints and  
10 provided a summary in my exhibit.

11 As I pointed out in my testimony, I am  
12 concerned that, notwithstanding the missing years  
13 for Sanlando, the complaints provided by the  
14 utility are not complete.

15 In response to OPC's eighth request for  
16 production of documents, Question No. 79, the  
17 company provided call logs for each of the systems  
18 for 2013 to 2015.

19 These came in shortly before I filed my  
20 testimony, so I did not have time to thoroughly  
21 review these files; however, during the limited  
22 time that I had, I found that the number of  
23 complaints regarding quality of service were  
24 generally higher in this production of documents  
25 than the number provided with the MFRs.

1 I believe it is critical to understand that  
2 the number of complaints have been understated,  
3 which leaves you, the Commission, with the  
4 impossible task of trying to accurately assess the  
5 quality of service when it has not been able to  
6 review all of the customer complaints required by  
7 rule.

8 My Exhibits DNV-4 and 5 include all the  
9 comments filed in the docket file at the time of my  
10 testimony.

11 My Exhibit DNV-6 is a summary of testimony  
12 provided at the eight service hearings that you  
13 attended.

14 And my Exhibit DNV-7 is a brief summary of  
15 your prior orders regarding the quality of service  
16 provided by these utility systems. Unsatisfactory  
17 quality of service is not a new issue for this  
18 utility. And I think it is important to keep that  
19 in mind as you reach your conclusion on the quality  
20 of service.

21 Utilities, Inc. states that it is now fixing  
22 or has fixed many of the deficiencies in service  
23 quality. However, I believe that the Commission  
24 should consider the totality of the service  
25 provided and not what the situation is as of today

1 or what the utility promises at the end of 2017.

2 I believe that the Commission should start  
3 with the test year, the test year that the utility  
4 requested, and consider the quality of service that  
5 the customers received at that time.

6 The customers live with the quality of water  
7 and wastewater provided every day. The test year  
8 was 2015. So, that results in almost two-and-a-  
9 half years that many customers have been paying for  
10 satisfactory quality of service and not receiving  
11 it. I believe that the evidence shows that the  
12 customers have not received this level of service  
13 and that they deserve recognition of that fact.

14 That concludes my summary. And thank you for  
15 your time.

16 CHAIRMAN BROWN: Thank you.

17 MS. CHRISTENSEN: We tender the witness for  
18 cross.

19 CHAIRMAN BROWN: Thank you. And just a  
20 reminder, we'll start with Seminole County --  
21 I'm -- pardon me -- Summertree on cross. And there  
22 will be no friendly cross, as you know. But  
23 Mr. Armstrong, you have the floor.

24 MR. ARMSTRONG: And I have no questions,  
25 friendly or otherwise. Thank you.

1 CHAIRMAN BROWN: Smart man.

2 Back to the utility.

3 MR. FRIEDMAN: Thank you, Madam Chair.

4 EXAMINATION

5 BY MR. FRIEDMAN:

6 Q Ms. Vandiver, on Page 2, Lines 20 to 24, you  
7 say that your testimony addresses the quality-of-service  
8 issues during and after the test year; is that correct?

9 A Yes.

10 Q And so, by including comments after the test  
11 year, am I correct that you believe that the quality of  
12 service should be determined not only with what occurred  
13 in the test year, but also what has occurred afterwards?

14 A Yes.

15 Q And would you not agree that that goes both  
16 ways; that, in other words, the steps to take -- the  
17 company has taken after the test year to resolve  
18 quality-of-service issues should also be considered?

19 A I think the Commission has to look at all of  
20 that as a totality and that the quality of service  
21 during the test year is not any less significant than  
22 the quality of service after the test year. And they  
23 have to weigh all of that.

24 Q Okay. But -- but in weighing all of that,  
25 they should also consider what has occurred subsequent

1 to the test year, correct?

2 A I -- I think that would be important to  
3 consider on an equal basis, yes.

4 Q And so, we agree that -- that it's -- it's  
5 from the test year forward, but you wouldn't consider  
6 the test year back, other than those orders that you  
7 talked about?

8 A No, it has to consider the last five years,  
9 according to statute, for the secondary quality  
10 standards.

11 Q Even though those issues may or may not have  
12 been resolved?

13 A I don't believe we've had a lot of history in  
14 that issue since the statute has been changed. So, I  
15 did not weigh in on what the -- the Commission should  
16 do.

17 I think they have to consider if there's a  
18 pattern of a history of abuse in this -- in the  
19 standards, if -- if a company has been having secondary  
20 quality violations for the last five years and they've  
21 only been cleared up in the last two months, I think  
22 that has to be considered as a long-standing problem and  
23 would probably weigh heavier than the fact that it's  
24 been cleared up now.

25 Q And when you talk about secondary violations,

1 are you talking about documented scientific violations?  
2 Or do you include if some customer comes and complains  
3 about their -- the qual- -- the smell of their water --  
4 all of a sudden, you consider that a violation?

5 A I believe the statute says the Commission has  
6 to consider customer complaints, yes.

7 Q Okay. But I mean, I'm talking about as you  
8 get -- I'm not talking about a complaint. I'm talking  
9 about as a "violation." You said they ought to consider  
10 the violations.

11 So, I'm trying to consider is -- is are we  
12 talking about violation from a scientific standpoint; do  
13 you meet the technical standards? Or are you talking  
14 about violations from having customers come up and say,  
15 my water doesn't smell good, it doesn't look good, it  
16 doesn't taste good?

17 A Well, I may have misspoken when I used the  
18 term "violation." The statute actually doesn't say  
19 "violation." It does say "complaints." So, I think  
20 that would be the term that the Commission would have to  
21 consider.

22 Q Okay. So -- and what weight do you think they  
23 should give complaints, even if the water quality meets  
24 the technical secondary standards?

25 A I believe the statutes are a little bit gray

1 in the actual implementation of that, but I believe that  
2 they have to consider, if the customers are not happy  
3 with the secondary standards, that they -- they have to  
4 give that weight. That's -- that's my personal view.

5 Q Now, isn't it true that most of the DEP issues  
6 that you point out have nothing to do with quality of  
7 water being provided to the customers?

8 A Oh, I would disagree.

9 Q All right. And would you explain what DEP --  
10 you mentioned consent orders and notices of violations.  
11 Could you point out the ones of those that you think  
12 affect the quality of the water?

13 A Well, I think the consent order about the TTHM  
14 violations for LUSI would be a -- a good indication of a  
15 water violation.

16 Q Okay. Any other ones other than TTHM?

17 A I would have to look (examining document).  
18 Could you repeat your question?

19 Q Yeah, I'm -- I'm just trying to get at the  
20 point of are -- do you consider issues such as whether  
21 the flow meter works right or whether they need to  
22 repair a step on a -- on a ladder -- do you consider  
23 those things as quality-of-service violations?

24 A As quality of service, yes, because that would  
25 be the operational condition of the facilities.

1           Q     And you agree, do you not, that the Department  
2 of Environmental Protection has the ultimate control in  
3 determining whether it's operationally being operated --  
4 whether it's operationally being operated in accordance  
5 with environmental regulations?

6           A     Right. And that's why I'm using their --  
7 their reports where they indicated violations because  
8 the Commission has to determine the quality of service  
9 in this rate proceeding. So, they have to know what  
10 those factors are and use those factors in their  
11 determination.

12          Q     Okay. And -- and some of those violations, if  
13 you looked at the -- did you look at the -- the  
14 inspection reports?

15          A     Yes, I did.

16          Q     Okay. And -- and many of those violations  
17 were what DEP terms as minor violations, correct?

18          A     They might have, yes. I don't know about  
19 many, but some were.

20          Q     Did you listen in to the deposition of  
21 Ms. Kleinfelter?

22          A     Yes.

23          Q     And isn't DEP satisfied with the operational  
24 condition of the UIF systems?

25                   MS. CHRISTENSEN: Objection. Calls for

1 speculation.

2 CHAIRMAN BROWN: I'm going to allow it. If  
3 she can answer the question -- if the witness can  
4 answer the question, then she is more than welcome  
5 to do so.

6 THE WITNESS: I don't remember the question.  
7 Sorry.

8 BY MR. FRIEDMAN:

9 Q The question is whether DEP is operationally  
10 satisfied -- is satisfied with the way that the  
11 operations of UIF systems are being run.

12 A Oh, I don't think that was her testimony, no.

13 Q All right. But you agree that -- that the DEP  
14 determination of the technical way that the plants are  
15 being operated should be followed by the Commission?

16 A I'm not sure I understand your question.

17 Q If DEP says, UIF's systems are being run  
18 satisfactorily, do you think that this Commission  
19 could -- should say, no, they're not?

20 A I'm not aware that DEP issues a satisfactory  
21 review of them. They'll point out areas of non-  
22 compliance. I don't know that they deem it --

23 Q All right.

24 A -- satisfactory or unsatisfactory like the  
25 Commission does.

1           Q     All right.  So, if they do an inspection and  
2 they don't come up with any violations, you don't think  
3 that, then, it should be presumed that they're running  
4 it satisfactorily?

5           A     Oh, if they didn't have any violations, they  
6 weren't included in my exhibit.  So, sure.

7           Q     Okay.  And so, if DEP is satisfied now that  
8 they have no violations, wouldn't you agree that they --  
9 plants were operated satisfactorily?

10          A     I don't know that they said that.

11          Q     But -- but if they did -- just --

12          A     If they had current -- if they went out today  
13 and inspected every plant today and had no violations,  
14 then I would probably agree with you, but I don't think  
15 that's the case.

16                   Most of it -- they don't do these inspections  
17 every month or two.  Some of these aren't done, I don't  
18 believe, even every year.

19          Q     Well, since we can't do them simul- -- we  
20 can't do them every day, don't we have to go with --  
21 with the -- with the schedule that DEP has and use that  
22 schedule?

23          A     Well, and that's why I presented what I did.  
24 These are the most-recent inspection reports that showed  
25 violations, yes.

1           Q     Do you think that the documentation that you  
2 reviewed -- that, as of today, there are major  
3 compliance issues?

4           A     I wouldn't know.

5           Q     In your testimony -- I've got written down  
6 here, Page 7, Line 17.

7           A     Say that again?

8           Q     Page 7, Line 17. It -- I guess it really  
9 starts at Line 14 through 18. It appears that you use a  
10 greater-than 1-percent complaint threshold as an  
11 indicator of -- something?

12          A     Yes.

13          Q     Okay. And -- and it's an indicator of what?

14          A     It was an analytical tool for me to separate  
15 out the systems that had more complaints per customer  
16 than others.

17          Q     And what --

18          A     But it's not meant to be a measure of anything  
19 other than an analytical tool.

20          Q     And why did you pick 1 percent?

21          A     I just did. It was an analytical tool.

22          Q     Okay. So, you didn't get that from some  
23 recognized standard for quality of service.

24          A     No, I did not.

25          Q     And so, you could have picked 2 or 5 percent

1 just as easy.

2 A I could have, yes.

3 Q In reviewing these complaints, did you take  
4 into consideration whether there were -- is -- whether  
5 there was a rate case pending for a particular system?

6 A No, I did not.

7 Q Wouldn't you agree that, during rate cases,  
8 customer complaints tend to increase?

9 A I think they do. I think when customers  
10 realize that they're not happy with their water and  
11 they're going to have to pay more, that they get a  
12 little bit more upset than they would if they weren't  
13 paying more.

14 Q And that's why you see an uptick in complaints  
15 when a utility has a rate case, correct?

16 A Sometimes, yes.

17 Q And isn't it true that all the systems that  
18 you found that had greater-than-1-percent complaints had  
19 rate cases between 2011 and 2015?

20 A I don't recall.

21 Q So, you didn't -- you didn't consider that in  
22 your analysis of complaints about whether the company  
23 had a rate case pending or not?

24 MS. CHRISTENSEN: Asked and answered.

25 CHAIRMAN BROWN: I agree.

1           Mr. -- Mr. Friedman, if you could, move along  
2           with your questions, please.

3           MR. FRIEDMAN: Ms. Vandiver -- you looked like  
4           you were looking for something. I'm sorry.

5           THE WITNESS: Oh, I thought they said to --

6           CHAIRMAN BROWN: No. No.

7           MR. FRIEDMAN: No. No, you didn't have to  
8           answer it. I was just --

9           THE WITNESS: Oh, okay. No, I'm fine.

10          MR. FRIEDMAN: Okay. I didn't want to  
11          interrupt you.

12          THE WITNESS: No.

13          BY MR. FRIEDMAN:

14           **Q     Regarding on Page 12, Line 26, you discussed**  
15           **the Pennbrooke iron issue. Do you recall that?**

16           A     12, Line -- what?

17           **Q     26 -- oh, now you've got -- you've got 26**  
18           **lines.**

19           A     Okay. I -- yes, I quoted somebody. Yes.

20           **Q     Isn't it true that UIF had a study done to**  
21           **remedy the iron issue at Pennbrooke?**

22           A     To study the issue, yes.

23           **Q     Okay. And -- and that was pursuant to a rate**  
24           **case they had years back?**

25           A     I believe so.

1 Q And do you recall that that documentation was  
2 presented to the Pennbrooke HOA?

3 A I've heard that. I -- I don't have any  
4 firsthand knowledge of that.

5 Q So, you didn't participate in any disc- -- I'm  
6 sorry. You didn't participate in any of the discussion  
7 on behalf of OPC during those post-rate case meetings?

8 A Do you know when they were?

9 Q No, I don't.

10 A Oh, I don't. No, I did not, I guess.

11 Q Now, you quote extensively from it on Page 14,  
12 Line 11, some statements made by Mr. Stahl-cross. Do  
13 you remember that?

14 A Shallcross?

15 Q Yes.

16 A Yes.

17 Q Do you -- and I guess he said he made -- there  
18 were 14 filings, I think, you reference?

19 A I did.

20 Q Were you aware when you referenced those that  
21 he was in litigation with UIF?

22 A I was not aware that he was, no. I thought it  
23 was his landlord, but I could be wrong.

24 Q All right. On 15 -- all right. Were you --  
25 were you involved in -- in the discussions with -- in

1 the last -- since the last UIF rate case on improving  
2 water quality at Summertree?

3 A Yes, I have been.

4 Q And you notice -- you make a comment on that  
5 page that --

6 A What page?

7 Q 15 -- Page 15, Line 6. Sorry. I thought I  
8 mentioned that.

9 You mentioned that it took money from the  
10 Legislature to make the Summertree interconnection  
11 happen. You see that?

12 A I see that.

13 Q All right. Isn't it true that UIF was  
14 prepared to go forward with that interconnection at its  
15 own expense?

16 A I'm not sure what UIF was prepared to do.  
17 I -- I know there was a lot of conversation. There were  
18 a lot of meetings. Things were not moving very quickly.  
19 So, I -- that's why I could not state affirmatively --  
20 affirmatively that UIF was prepared to move forward.

21 Q Again, on Page 15, on Line 10, you make the  
22 statement that UIF knew one well was really bad, yet,  
23 utilized the bad well more than good wells. Do you see  
24 that comment now?

25 A I see that comment, yes.

1 Q You don't know whether that's really true, do  
2 you?

3 A I show that I'm quoting somebody on that, yes.

4 Q All right. So, that's -- that's -- you're  
5 just stating what somebody else said.

6 A I believe I've seen that from several other  
7 places, but yes.

8 Q But you have no personal knowledge that  
9 that's, in fact, true?

10 A No.

11 Q You heard -- you've been here this morning,  
12 have you not?

13 A Yes, I have.

14 Q And you heard a lot of discussions about --  
15 about line repairs, did you not -- or line replacements,  
16 did you not?

17 A Yes.

18 Q And on Page 18, Line 18, you quote from a  
19 gentleman who complained about line breaks on his  
20 street. Do you see that?

21 A Yes.

22 Q Do you know whether Autumn Drive was one of  
23 the locations that -- one of the pro forma projects  
24 that's going to replace or has replaced?

25 A Yes, it is on the list of pro forma projects.

1 I don't know how long it's been in need of repair,  
2 though.

3 Q And on Line 20- -- Page 20, Line 23, you  
4 discuss customer notices. Do you recall that testimony?

5 A Yes.

6 Q And you term those as being "confusing and  
7 overwhelming"; isn't that correct?

8 A Yes.

9 Q Isn't it true that -- that the customer  
10 notices that the utility sends out are -- are ones that  
11 the Commission has, more or less, approved?

12 A I believe that the Commission checks them for  
13 correctness.

14 Q You don't think they have to be approved?

15 A They probably do, yes. I still think they  
16 could have been a lot more customer-friendly. They were  
17 very difficult.

18 Q I'm sorry. They were very -- what?

19 A They were very difficult to understand, even  
20 for us. And I did have comments --

21 Q I -- I'm getting -- I would agree with you,  
22 but I have no control over it.

23 A Well, and I had comments about errors that  
24 were not corrected before it went out, myself. So, I  
25 will point that out.

1 Q And on Line -- on Page 25, starting at, I  
2 guess, Line 17 or 18, you list the systems that you  
3 think have marginal or unsatisfactory service; is that  
4 correct?

5 A Yes.

6 Q And that's based upon there being more than  
7 1 percent customer complaints; is that true?

8 A That was one of the several factors. The past  
9 history of customer complaints, the consent orders, DEP  
10 compliance -- it was based on a number of things.

11 Q And like the -- like the consent order in  
12 Sandalhaven, do you know -- recall what that consent  
13 order was for?

14 A Yes, I do. It was for the leeching of the  
15 treated wastewater outside of the rapid-infiltration  
16 basins.

17 Q And didn't -- didn't that lead to  
18 interconnection, to interconnect the system, to get rid  
19 of the old plant?

20 A Because I -- the company was not able to  
21 correct their plant facilities, possibly, yes.

22 Q And isn't it true that all of these systems  
23 you list here on Page 25, the top of Page 26, that you  
24 want to consider marginal or unsatisfactory based on  
25 customer complaints all had rate cases during the period

1 **the complaints were reviewed?**

2 MS. CHRISTENSEN: Asked and answered.

3 CHAIRMAN BROWN: I'm not sure if it was.

4 THE WITNESS: I don't know about LUSI or  
5 Mid-County. I would have to go back and look at my  
6 docket listing.

7 BY MR. FRIEDMAN:

8 **Q But the rest of them, you recall?**

9 A I -- I'm checking. Cypress Lakes (examining  
10 document).

11 (Background noise.)

12 CHAIRMAN BROWN: Bless you.

13 Mr. Flynn has given us his cold.

14 THE WITNESS: Yes, you're -- except for those  
15 two -- I don't believe they did. I don't have all  
16 that information with me. But I don't believe they  
17 had rate cases that may have contributed to it.

18 MR. FRIEDMAN: Okay. That's all the questions  
19 I have.

20 CHAIRMAN BROWN: Thank you.

21 And staff.

22 EXAMINATION

23 BY MR. TRIERWEILER:

24 **Q Ms. Vandiver, on Page 25 of your direct**  
25 **testimony, you recommend the Commission consider a**

1 finding of marginal or unsatisfactory for eight systems;  
2 is that correct?

3 A That's correct.

4 Q And you recommend that the Commission should  
5 reduce the return on equity for the utility by at least  
6 25 basis points or 50 basis points if the system has a  
7 history of repeated or unresolved issues; is that  
8 correct?

9 A That's correct.

10 Q Do you have a recommendation for the  
11 Commission on whether the return-on-equity reduction  
12 should be applied on a system basis or on a consolidated  
13 basis?

14 A I think it's largely to the discretion of the  
15 Commission, obviously. But I do believe that it -- it  
16 partly depends on how the Commission decides to treat  
17 this rate case and this utility, if it's one  
18 consolidated system.

19 If it's going to be a -- one consolidated  
20 system, I think you would have to determine quality of  
21 service on the -- on the whole. And because there's  
22 certainly eight systems out of the 12, that would  
23 tend -- if -- if you went with all eight or the totality  
24 of the complaints in general, I -- you know, I would say  
25 it would be an unsatisfactory quality of service for the

1 whole system.

2 If you were to go with the individual rates or  
3 banded rates of some sort, you might want to consider  
4 doing an unsatisfactory or a determination of quality of  
5 service based on the rate band or the individual  
6 systems.

7 But I think it could be certainly be done on a  
8 consolidated basis and applied uniformly, based on, you  
9 know, not -- not my -- just my recommendations, but the  
10 other discovery and data in the case.

11 MR. TRIERWEILER: Thank you. Nothing further.

12 CHAIRMAN BROWN: Thank you.

13 Commissioners, any questions?

14 I have one, Ms. Vandiver. Looking at your  
15 DNV-3 on Page -- it's one of 98. You have this  
16 summary of customer complaints that were provided  
17 in the MFRs up through December 2015. It looks  
18 like --

19 THE WITNESS: Wait -- excuse me. DNV-3 --  
20 what?

21 CHAIRMAN BROWN: DNV-3. It's just the first  
22 page, one of --

23 THE WITNESS: Oh, okay. Sure.

24 CHAIRMAN BROWN: Your summary. And you have a  
25 summary of the past five years -- pardon me -- of

1 2011 through 20- -- through December of 2015. And  
2 looking at Sanlando, particularly, it says, the  
3 average annual complaint is .83 percent.

4 Do you happen to know what the average annual  
5 complaint rate is through 2016?

6 THE WITNESS: No, I sure don't.

7 CHAIRMAN BROWN: I don't know if you -- you  
8 were in the room earlier, but -- when I asked the  
9 question of Mr. Flynn about which system is -- will  
10 be getting the -- and it -- it's the utility's  
11 request -- would be getting the most pro forma  
12 projects. And he stated it would be Sanlando. You  
13 were here for that?

14 THE WITNESS: Yes, I was.

15 CHAIRMAN BROWN: Do you happen to have an  
16 opinion on that?

17 THE WITNESS: Well --

18 CHAIRMAN BROWN: Other than the DEP consent  
19 order.

20 THE WITNESS: He did also say that none of the  
21 pro forma plants were to address secondary  
22 standards. So, I'm not sure if that would make a  
23 difference in the number of customer complaints.

24 CHAIRMAN BROWN: Thank you.

25 Commissioners, any other questions?

1 Redirect.

2 MS. CHRISTENSEN: Yes.

3 EXAMINATION

4 BY MS. CHRISTENSEN:

5 Q I just have two brief redirects. Do you  
6 recall being asked about whether or not the complaints  
7 increased during rate cases by Mr. Friedman?

8 A Yes.

9 Q Do you think that the value of the customer  
10 complaints, even if it's made during the time of a rate  
11 case, should be less than if a complaint is made at any  
12 other time during the year or during the five-year  
13 period that the Commission is supposed to consider?

14 A No, I think they're just as valid. And in  
15 fact, it probably is one of the few venues that allows  
16 customers the knowledge that they can complain. They  
17 may not always know who to complain to. So, that may be  
18 part of why they feel the opportunity to air their  
19 concerns.

20 Q Okay. And do you also recall being asked by  
21 Mr. Freeman whether or not the Commission considered --  
22 should consider the operational conditions of the plant  
23 related to DEP as part of its consideration of the  
24 quality of service?

25 A Yes.

1           Q     Okay.  And I think you had mentioned at least  
2     one of the consent orders that you reviewed and included  
3     as part of your testimony?

4           A     Yes.

5           Q     Okay.  Were there any other additional consent  
6     orders that you included as part of that exhibit?

7           A     Yes, there were three total consent orders.  
8     The one was a TTHM.  The second one was the one that  
9     Mr. Friedman also mentioned on Sandalhaven, leeching out  
10    of the rapid-infiltration basins.

11                     And the third one was for Sanlando, with  
12    the -- there were multiple violations included in that  
13    one: the dumping of 750,000 gallons of untreated  
14    wastewater into Sweetwater Creek; a million gallons of  
15    treated wastewater into the water system; and then there  
16    were some -- I believe another leeching issue, I -- I  
17    don't remember that part of it.

18                     MS. CHRISTENSEN:  Okay.  Thank you.  I have no  
19    further questions.

20                     CHAIRMAN BROWN:  Thank you.

21                     Exhibits.  This witness has 88 through 94.  
22    Would you like those moved into the record?

23                     MS. CHRISTENSEN:  Yes, at this time, we would  
24    ask to move hearing Exhibits 88 through 94 for this  
25    witness into the record.

1           CHAIRMAN BROWN: Seeing no objection from the  
2 parties, we will go ahead and enter 88 -- 88  
3 through 94.

4           (Exhibit Nos. 88 through 94 admitted into the  
5 record.)

6           CHAIRMAN BROWN: Ms. Vandiver, you are  
7 excused.

8           THE WITNESS: Thank you.

9           CHAIRMAN BROWN: Thank you.  
10          Public Counsel, your next witness is  
11 Mr. Andrew Woodcock.

12          MS. CHRISTENSEN: Yes, if we could ask that he  
13 be called to the stand. And Mr. Saylor will be  
14 addressing Mr. Woodcock.

15          CHAIRMAN BROWN: Okay.

16          MR. SAYLER: Madam Chair, this witness has not  
17 been sworn.

18          CHAIRMAN BROWN: Thank you.

19          MR. SAYLER: And Madam Chair, I do have an  
20 exhibit to pass out. It's a corrected page of his  
21 testimony. I can provide it to staff.

22          CHAIRMAN BROWN: Thank you.

23          Are there any other witnesses in the room who  
24 have not been sworn in?

25          All right. Mr. Woodcock, can you please stand

1 with me and raise your right hand.

2 Whereupon,

3 ANDREW WOODCOCK

4 was called as a witness, having been first duly sworn to  
5 provide the truth in this proceeding, was examined and  
6 testified as follows:

7 CHAIRMAN BROWN: Thank you. Please be seated.

8 And welcome to the Commission.

9 THE WITNESS: Thank you.

10 MR. SAYLER: Madam Chair, it's the same  
11 exhibit as yesterday with a cover page.

12 CHAIRMAN BROWN: With a cover. Thank you for  
13 that.

14 MR. SAYLER: And at the appropriate time, I  
15 would like to mark it for identification.

16 CHAIRMAN BROWN: Let's -- let's just go ahead  
17 and do that now. We will mark this as Exhibit 285,  
18 the title, "Corrected page of Mr. Woodcock's  
19 testimony."

20 MR. SAYLER: And Madam Chair, if -- I've not  
21 communicated with Mr. Friedman. I don't know if he  
22 wants to ask the witness about this -- corrections  
23 to his testimony or whatnot because this would be  
24 time you stated for objections to the exhibits and  
25 things of that nature, or at whatever time you

1 would like him to do that.

2 CHAIRMAN BROWN: Thanks. We will go ahead and  
3 do that when Mr. Friedman is on cross. He can --  
4 he can cross-examine the witness on the corrected  
5 page.

6 (Exhibit No. 285 marked for identification.)

7 MR. SAYLER: All right. Thank you, Madam  
8 Chair.

9 EXAMINATION

10 BY MR. SAYLER:

11 Q Mr. Woodcock, would you state your name for  
12 the record, please.

13 A Andrew Woodcock.

14 Q All right. And before you today, you have  
15 prefiled direct testimony. Did you prepare that and  
16 have that filed on March 6th, 2017?

17 A Yes, I did.

18 Q And in that testimony, do you have any  
19 corrections or changes to that testimony at this time?

20 A None other than what's already been handed  
21 out.

22 Q Okay. Other than in this exhibit marked 285?  
23 All right.

24 And other than that, you have no other  
25 changes; is that correct?

1           A     That's correct. But I would be happy to  
2 discuss the -- the reasons for my changes in my  
3 testimony.

4           Q     All right. And you also caused to be filed  
5 with your testimony a number of exhibits; is that  
6 correct?

7           A     Correct.

8           Q     And for staff's hearing -- comprehensive  
9 hearing exhibit list, that would be Exhibit Nos. 95  
10 through 112, which is ATW-1 through 18; is that right?

11          A     Correct.

12          Q     Okay.

13                CHAIRMAN BROWN: Could you just speak up a  
14 little bit more clearly, both of you?

15                THE WITNESS: Sure.

16                CHAIRMAN BROWN: Thank you.

17                MR. SAYLER: Yes, ma'am.

18                CHAIRMAN BROWN: Awesome.

19                MR. SAYLER: Madam Chair, with the corrections  
20 to his testimony, we would like to have them  
21 admitted to the record as so read.

22                CHAIRMAN BROWN: We will enter into the record  
23 as though read Mr. Woodcock's prefiled direct  
24 testimony.

25                       (Prefiled direct testimony inserted into the

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record as though read.)



1           mergers and acquisitions, and cost of service rate studies. I have also served as utility  
2           rate regulatory staff for St. Johns, Charlotte, and Collier Counties in engineering  
3           matters. Exhibit ATW-1, Resume of Andrew T. Woodcock, provides additional  
4           details of my work experience.

5  
6           **Q.    HAVE YOU PREVIOUSLY FILED TESTIMONY IN UTILITY RATE CASE**  
7           **PROCEEDINGS?**

8           A.    Yes. I have filed testimony in a number of proceedings before the Florida Public  
9           Service Commission, on behalf of the Office of Public Counsel (OPC). In 2007, I  
10          filed testimony in the Aqua Utilities Florida Rate Case (Docket No. 060368-WS). I  
11          also filed testimony regarding the Used and Useful Rule for Water Treatment Systems  
12          (Docket No.070183-WS), the Aqua Utilities Florida Rate Case (Docket No. 080121-  
13          WS), and the Water Management Services, Inc. rate case (Docket 100104-WU). I  
14          have also filed testimony on behalf of OPC in two previous KW Resort Rate Cases  
15          (Dockets Nos. 070293-SU and 150071-SU).

16                 In addition, I have filed testimony before other agencies and in other  
17          jurisdictions. In 2002, I filed testimony on behalf of the St. Johns County Regulatory  
18          Authority at a special hearing in an overearnings case against Intercoastal Utilities. I  
19          have also filed testimony before the Kentucky Public Service Commission in 2007 on  
20          behalf of the Henry County Water District No.2 (Case No. 2006-00191) regarding  
21          system development charges. In 2012, I filed testimony on behalf of Charlotte County  
22          regarding a rate increase in wastewater rates filed by Utilities, Inc. of Sandalhaven.

1 **Q. ON WHOSE BEHALF ARE YOU FILING TESTIMONY IN THIS**  
2 **PROCEEDING?**

3 A. I am testifying on behalf of the Florida Office of Public Counsel (OPC or Citizens).

4

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

6 A. My testimony will address the excessive inflow and infiltration, excessive unaccounted  
7 for water, used and useful percentages for the Utilities Inc. of Florida (UIF or  
8 Company) systems, as well as, the costs and engineering aspects of the proposed post-  
9 test year pro forma adjustments to rate base.

10

11 **Q. WHAT INFORMATION DID YOU REVIEW WHEN FORMING YOUR**  
12 **OPINIONS AND RECOMMENDATIONS IN YOUR TESTIMONY?**

13 A. I reviewed the Company's Minimum Filing Requirements (MFRs); the Direct  
14 Testimony of Frank Seidman and Jon Hoy; the Company's filings in Docket No.  
15 160101-SU; and its responses to OPC and Staff discovery. In addition, I reviewed the  
16 relevant Commission rules and Statutes applicable to UIF's request, and some  
17 Commission Orders. Finally, with UIF personnel, I conducted site visits of several  
18 UIF systems to inspect the plant in service and the progress of some of the major  
19 proposed pro forma projects and to obtain a general understanding of the operation of  
20 the systems.

1 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS CASE.**

2 A. In my professional opinion, I have found excessive unaccounted for water in ten  
3 systems and excessive inflow and infiltration in three systems that are a part of this  
4 rate case. I conducted an analysis on and provide an opinion for the appropriate U&U  
5 percentages of seven system wastewater treatment plants and two wastewater  
6 collection systems. I am not providing an opinion on the U&U of the remaining  
7 systems that are a part of this rate case.

8

9 Finally, I provide an opinion on UIF's pro forma rate base additions. Of the  
10 total \$30,835,444 requested for approval in the original UIF filing, \$21,256,538 was  
11 reasonable and supported by UIF's direct testimony and exhibits and should be  
12 allowed in the rate case. The amounts unsupported by reliable documentation should  
13 be considered in a subsequent proceeding, but not allowed in this rate case.

14

15 **II. EXCESSIVE UNACCOUNTED FOR WATER AND EXCESSIVE INFLOW**  
16 **AND INFILTRATION**

17 **Q. WHAT DID YOU FIND WITH RESPECT TO EXCESSIVE UNACCOUNTED**  
18 **FOR WATER (EUW) IN THE SYSTEMS INCLUDED IN THIS RATE CASE?**

19 A. I first reviewed and relied upon data provided by UIF in its MFRs. Utilities have to  
20 account for all water pumped, purchased, or otherwise used for utility purposes. Water  
21 that cannot be accounted for (i.e. sold, used for flushing, or other utility purposes) is  
22 considered unaccounted for water. In determining the amount of excessive  
23 unaccounted for water, I used a threshold of 10% or greater of the pumped or

1 purchased water, as defined by Rule 25-30.4325(1)(e) Florida Administrative Code  
 2 (F.A.C.), which states “Excessive unaccounted for water (EUW) is unaccounted for  
 3 water in excess of 10 percent of the amount produced.” Accordingly, any unaccounted  
 4 for water over the 10% threshold was deducted from the used and useful calculation.

5  
 6 **Q. WHAT WERE THE RESULTS OF YOUR EUW ANALYSIS?**

7 A. A summary of my analysis is provided in Exhibit ATW-2. I found excessive EUW in  
 8 the following systems:

<u>System</u>	Excessive unaccounted for water (expressed as a percent of total <u>water</u> <u>pumped or purchased</u> )
Labrador	4.60%
Lake Placid	3.06%
Pasco – Orangewood et.al.	7.66%
UIF Marion	1.35%
UIF Pinellas – Lake Tarpon	10.20%
UIF Seminole – Ravenna Park et. al.	0.95%
UIF Seminole – Little Wekiva	4.81%
UIF Seminole – Oakland Shores	2.23%
UIF Seminole – Phillips	1.56%
UIF Seminole – Weathersfield	1.31%

9  
 10 **Q. DO YOU HAVE ANY CONCERNS REGARDING OTHER WATER USES**  
 11 **FOR ANY SYSTEMS IN THE RATE CASE?**

12 A. I found exceptionally high water uses in the Lake Saunders and Summertree water  
 13 systems. Both systems had reported “water for other uses” in excess of 47% of the  
 14 total water pumped.

1 **Q. WILL YOU DESCRIBE WHAT “WATER FOR OTHER USES” IS?**

2 A. Water for other uses (“WFO”) is an industry term that represents water not sold to  
3 customers but can be otherwise accounted for by the utility. Some examples of this  
4 are water used in the treatment process, line flushing in the system, and water used for  
5 firefighting. The amount of WFO can vary greatly from system to system but in my  
6 experience is usually less than 20% of the total water pumped. A utility should keep  
7 WFO to a low number to conserve water resources, minimize operating costs, and  
8 improve system efficiency.

9

10 **Q. WHAT DID YOU FIND WITH THE WFO FOR THESE TWO SYSTEMS?**

11 A. Through discovery I determined that the Lake Saunders water use is due to the  
12 filtration process used to treat the water. While the WFO is still high in my opinion, I  
13 can accept that filtration is a water intensive form of water treatment and adds to a  
14 system’s WFO.

15

16 For Summertree, the high WFO is due to significant system flushing performed by  
17 UIF to minimize the effects of the poor water quality in the system. In December  
18 2016, UIF interconnected the system with Pasco County for a new water source in an  
19 effort to improve water quality and reduce the flushing required to maintain water  
20 quality. As of the date of this testimony, I understand UIF continues to vigorously  
21 flush the Summertree system as part of the interconnection process. This is a standard  
22 practice when switching water sources; it allows the chemistry in the water system to  
23 adjust to the new source while minimizing short-term water quality changes. Any

1 costs associated with vigorously flushing the Summertree system are temporary  
2 expenses. Over time, I would expect that water used for flushing the Summertree  
3 system to decline to a more reasonable percentage.

4

5 **Q. PLEASE DESCRIBE INFILTRATION AND INFLOW AND HOW IT**  
6 **AFFECTS WASTEWATER SYSTEMS?**

7 A. Infiltration is groundwater that seeps into a wastewater gravity collection system  
8 through pipe joints or cracks. Inflow is usually stormwater that enters a wastewater  
9 collection system during rain events through inappropriately connected drains or other  
10 entrances to the system. Water from inflow and infiltration (I&I) entering the  
11 wastewater system is treated along with customer produced wastewater, and increases  
12 the cost of wastewater treatment. Further, I&I decreases the amount of available  
13 capacity in a wastewater system and can compromise the ability of the system to treat  
14 wastewater flows generated by a utility's customers. Since customers are not the  
15 cause of I&I, they should not be required to pay for the costs associated with treating  
16 excessive I&I in a wastewater system.

17

18 **Q. WHAT IS YOUR METHODOLOGY FOR DETERMINING WHETHER I&I**  
19 **IS EXCESSIVE?**

20 A. My methodology is consistent with the Commission's conventional methodology  
21 described on pages 14 and 15 of Order No. PSC-16-0013-PAA-SU. My threshold for  
22 allowable infiltration are based upon 500 gallons per day (gpd) per inch-mile. My  
23 threshold for excessive inflow is based on inflows of 10% or greater than the billed

1 water returned to the wastewater treatment plant (WWTP). In estimating the amount  
2 of billed water returned to the wastewater treatment plant, I used a factor of 80% of  
3 billed water for residential connections and 90% of billed water for non-residential  
4 connections. If the reported flows at the WWTP exceed estimated flows returned to  
5 the WWTP plus the I&I allowance, the difference is considered excessive I&I.

6  
7 **Q. IN THE COURSE OF THIS ANALYSIS, WAS THERE A NEED TO DEVIATE**  
8 **FROM THIS METHODOLOGY?**

9 A. Yes. Two systems, Cross Creek and Longwood, are wastewater only systems with a  
10 flat rate that is billed independent of water usage. According to the MFRs, UIF was  
11 unable to obtain billed water data for these two systems. As a result, the billed water  
12 data necessary to implement the excessive I&I methodology was unavailable and an  
13 excessive I&I number could not be calculated using this methodology. For these  
14 systems, I used a more generalized approach based on an excessive wastewater  
15 generation threshold of 120 gallons per capita day (gpcd). I estimated a functional  
16 population served by using meter equivalents and divided the result into the reported  
17 Test Year WWTP flows. In my professional opinion, any calculated amount over 120  
18 gpcd is considered excessive I&I. My calculations for Cross Creek and Longwood did  
19 not reveal any excessive I&I for these two wastewater only systems.

20  
21 **Q. WHAT ARE THE RESULTS OF YOUR EXCESSIVE I&I ANALYSIS?**

22 A. Exhibit ATW-3 presents a summary of my analysis. I found excessive I&I in three  
23 systems as shown in the table below:

<u>System</u>	Test Year Excessive I&I (gallons)	Test Year Excessive I&I (as a percent of WWTP flow)
Sandalhaven	4,225,819	8.37%
UIF Pasco – Wis Bar	951,518	17.22%
UIF Seminole – Lincoln Heights	8,717,900	37.41%

1

2 **III. USED AND USEFUL**3 **Q. DESCRIBE YOUR APPROACH TO USED AND USEFUL FOR THE UIF**  
4 **SYSTEMS IN THE RATE CASE.**5 A. I limited my used and useful (U&U) analysis to utility plant assets in systems that have  
6 not been previously determined to be 100% U&U by the Commission in prior rate  
7 proceedings unless a settlement was involved. As a result, my analysis focuses on  
8 wastewater facilities in the following systems:

- 9 a. Lake Utility Services, Inc. (LUSI) wastewater treatment system;
- 10 b. Mid County wastewater treatment and collection system;
- 11 c. Lake Placid wastewater treatment system;
- 12 d. Labrador wastewater treatment system;
- 13 e. Eagle Ridge wastewater system;
- 14 f. Crownwood wastewater treatment system; and
- 15 g. Sandalhaven wastewater treatment and transmission system.

16

17 The U&U percentage approved for the Sandalhaven wastewater system by Order No.  
18 PSC-16-0013-PAA-SU, was protested and preserved for redetermination and  
19 recalculation in this consolidated rate case by a settlement between OPC and UIF

1 approved by Order No. PSC-16-0151-FOF-SU. While the Commission previously  
2 determined the Eagle Ridge wastewater system to be 100% U&U in Order No. PSC-  
3 11-0587-PAA-SU, this determination was protested and a settlement between UIF and  
4 OPC approved by Order No. PSC-12-0346-FOF-SU struck the U&U language from  
5 the PAA Order.

6  
7 **Q. DESCRIBE IN GENERAL YOUR APPROACH TO YOUR USED AND**  
8 **USEFUL ANALYSIS FOR WASTEWATER TREATMENT SYSTEMS?**

9 A. My approach to determining U&U for wastewater treatment systems follows the  
10 provision set forth in Rules 25-30.431 and 25-30.432, F.A.C., (U&U Rules) and  
11 Section 367.081(2) Florida Statutes (F.S.) (U&U Statute). With the exceptions that are  
12 noted below in my testimony, my approach to used and useful starts with the test year  
13 wastewater flow which is adjusted to reflect growth for a five-year period beyond the  
14 test year and the removal of any excessive inflow and infiltration. This adjusted test  
15 year flow is divided by the capacity of the treatment facilities to determine the U&U  
16 percentage of the treatment facilities. Exhibit ATW-4 presents a summary of my  
17 U&U analysis for each of the wastewater treatment systems.

18  
19 **Q. PLEASE DESCRIBE YOUR APPROACH TO YOUR U&U ANALYSIS TO**  
20 **WASTEWATER COLLECTION SYSTEMS?**

21 A. For collection systems, I based my U&U evaluation on the lot count methodology,  
22 which looks at the ratio of unserved lots with access to collection lines to all lots with

1 access to collection lines. I applied this methodology to my evaluation of the Mid  
2 County and Eagle Ridge Systems.

3

4 **Q. WHAT IS YOUR OPINION OF UIF'S USED AND USEFUL**  
5 **METHODOLOGY AND PERCENTAGES FOR THE SYSTEMS YOU**  
6 **ANALYZED?**

7 A. In many cases, I disagree with the U&U methodology and calculated U&U  
8 percentages UIF has presented in this case. For the most part, my disagreements focus  
9 on a few key concepts.

10

11 **Q. WHAT IS YOUR FIRST POINT OF DISAGREEMENT?**

12 A. I take exception to the use of prepaid connections and guaranteed revenue payments in  
13 determining used and useful. UIF includes prepaid connections in the U&U  
14 calculations for both the LUSI and Sandalhaven systems.

15

16 **Q. WHY SHOULD PREPAID CONNECTIONS BE EXCLUDED FROM THE**  
17 **U&U CALCULATION FOR THE LUSI AND SANDALHAVEN**  
18 **WASTEWATER TREATMENT FACILITIES?**

19 A. Prepaid ERC connections (prepaids) represent potential future connections which may  
20 eventually connect to the system. With prepaid connections, there is no timing if or  
21 when these connections will happen. The agreements simply say that the utility will  
22 provide the service when the connections occur. In that sense, these connections are

1 independent of timing. The prepaids could connect in one year, two years, five years,  
2 ten years or potentially never.

3  
4 Section 367.081(2), F.S., already contains provisions for a growth allowance for five  
5 years beyond the test year at a rate no greater than 5% per year, and prepaids are not  
6 referenced in the statute. Adding the prepaid connections to the statutory growth  
7 allowance creates two conflicts. First, there is the potential that the prepaids could  
8 connect within that five-year growth period resulting in a double counting of growth  
9 and an over statement of U&U. Second, since there is no timeframe when these  
10 prepaids may actually connect, their inclusion in U&U arbitrarily extends the growth  
11 period to an undefinable time period beyond the allowable five-year statutory horizon  
12 that would end only when the last prepaid connects. This growth is speculative and  
13 contrary to the way that Commission orders have applied Section 367.081(2), F.S. in  
14 prior rate cases, including prior LUSI and Sandalhaven rate cases. Applying prepaid  
15 ERCs to U&U erroneously inflates the U&U percentages and requires current rate  
16 payers to indefinitely pay for unused system capacity that may never be used by future  
17 customers.

18  
19 **Q. WHAT DOES THE U&U STATUTE AND RULES STATE ABOUT USING**  
20 **PREPAIDS IN THE U&U CALCULATION?**

21 A. They are silent. Prepaid connections are not mentioned in either Section 367.081(2),  
22 F.S., or Rule 25-30.432, F.A.C., for Wastewater Treatment Plant Used and Useful

1 Calculations. Therefore, in my opinion, prepaid ERCs should be excluded from the  
2 U&U calculation.

3

4 **Q. ARE YOU AWARE OF ANY INSTANCES WHERE THE COMMISSION HAS**  
5 **INCLUDED PREPAID CONNECTIONS IN THE U&U CALCULATION FOR**  
6 **WATER AND WASTEWATER SYSTEMS?**

7 A. Yes, in two instances. One instance occurred in Order No. PSC-16-0013-PAA-SU, in  
8 Docket 150102-SU, Sandalhaven's last rate case; however, that U&U calculation was  
9 specifically protested and preserved for determination in this consolidated case. In the  
10 protested order, the U&U for the system components included demand from un-built  
11 guaranteed revenue agreements and prepaid ERC commitments. Including prepaids  
12 was a departure from the U&U calculation in the prior Commission Sandalhaven rate  
13 case (Commission Order No. PSC-07-0865-PAA-SU) and the Charlotte County rate  
14 case.

15

16 Another similar but different instance occurred in Order No. PSC-09-0057-FOF-S, in  
17 Docket No. 070293-SU, involving KW Resort Utilities Corp. (KWRU). In the  
18 KWRU Final Order No. PSC-09-0057-FOF-SU, at page 20, the Commission mentions  
19 that Monroe County reserved the remaining KWRU plant capacity so that existing  
20 Stock Island residents using septic system could later connect to its wastewater system  
21 and repay the county through their property taxes. In that case, the customers already  
22 existed and would be required to connect to KWRU's system. In Sandalhaven,  
23 however, the future customers did not exist at the time the developers reserved

1 capacity. Other than these two instances, the Commission to my knowledge has not  
2 included prepaid ERCs in any other U&U calculations.

3

4 **Q. WHAT IS YOUR OTHER CONCEPTUAL DISAGREEMENT WITH UIF'S**  
5 **APPROACH TO U&U?**

6 A. In several instances, UIF claims that the system service area is built-out and therefore  
7 the system should be considered 100% U&U. I disagree with allowing such a blanket  
8 qualification to be the sole necessary justification for considering a system 100%  
9 U&U. The WWTP U&U Rule 25-30.432, F.A.C., states that in determining the used  
10 and useful amount, the Commission will consider "...the extent to which the area  
11 served by the plant is built out..." A further refinement of this concept is provided in  
12 the Commission's rules for water treatment used and useful calculations. The water  
13 treatment and storage U&U Rule 20-30.4325(4), F.A.C., states "A water treatment  
14 system is considered 100 percent used and useful if the service territory the system is  
15 designed to serve is built out and there is no apparent potential for expansion of the  
16 service territory...." Even though this U&U rule applies to water systems, it provides  
17 parallel guidance for used and useful evaluations of wastewater systems. The water  
18 U&U rule lays out a two-part test for 100% U&U: (1) the design service area must be  
19 built-out and; (2) there must be no apparent expansion potential the service territory.  
20 Since there is no similar U&U rule for wastewater systems, my used and useful  
21 evaluation of the built-out wastewater service territories, and in some cases the  
22 WWTP, utilizes both parts of this two-part test.

1 *Lake Utility Services, Inc. (LUSI) U&U*

2 **Q. WHAT IS YOUR OPINION OF THE U&U OF THE LUSI WASTEWATER**  
3 **TREATMENT PLANT?**

4 A. I find the U&U for the LUSI WWTP to be 53.55%. My U&U calculations for the  
5 LUSI wastewater treatment plant are included in Exhibit ATW-5. My analysis differs  
6 from UIF's analysis largely because of the prepaid connections UIF adds to the U&U  
7 calculation. In Schedule F-8 of the LUSI MFRs, UIF adjusts the U&U for the five-year  
8 growth period using 126.22 ERCs per year at 131.2 gpd/ERC. The utility then inflates  
9 the U&U number by adding an additional 187 prepaid connections at 280 gpd/ERC,  
10 which increases the U&U of the facilities to 59%. As I stated previously, prepaid  
11 connections should be excluded because they are not identified in any of the  
12 Commission's U&U rules or statute, and the application of these prepaid connections  
13 to a U&U analysis potentially double counts connections and adds speculative  
14 assumptions to the U&U calculations.

15

16 **Q. IN THIS PARTICULAR CASE, HOW IS INCLUDING PREPAID**  
17 **CONNECTIONS DOUBLE COUNTING GROWTH IN THE U&U**  
18 **CALCULATION?**

19 A. UIF's analysis includes not only the standard allowance for growth allowed by Section  
20 367.081(2), F.S., but also adds the prepaid connections. It is quite likely that at least  
21 some of these prepaids could connect within the five-year statutory growth period.  
22 However, if a prepaid ERC makes connection during the five-year period occurs, it is  
23 already accounted for in the statutory growth allowance. If prepaids are added to the

1 statutory growth allowance, then current customers will be paying for these prepaid  
2 connections twice in current rates.

3

4 **Q. AND WHAT ARE THE SPECULATIVE ASSUMPTIONS UIF MAKES IN**  
5 **APPLYING THESE PREPAIDS TO THE U&U CALCULATION FOR LUSI?**

6 A. First, UIF assumes that the prepaid connections will someday connect to the system,  
7 and this speculative assumption distorts the U&U calculation. If the prepaids do not  
8 connect within the allowable growth period, UIF is extending the growth period to  
9 some unidentifiable date in the future.

10

11 Second, UIF assumes the LUSI prepaid connections will use an unreasonably high 280  
12 gpd/ERC, which is more than twice the 131 gpd/ERC calculated for the rest of the  
13 existing LUSI system. Again, there is no way to specifically predict the exact gpd  
14 contribution of these nonexistent connections and UIF did not provide any valid  
15 support for how it calculated the 280/gpd/ERC number. However, if one were to  
16 erroneously include prepaid connections in the U&U calculation, it would be much  
17 more reasonable to use the average historical rate of 131/gpd/ERC.

18

19 *Mid County U&U*

20 **Q. WHAT IS YOUR OPINION OF THE U&U OF THE MID COUNTY**  
21 **WASTEWATER TREATMENT PLANT (WWTP)?**

22 A. Using the statutory growth rate, I find the calculated U&U for the Mid County WWTP  
23 to be 93.67%. My U&U calculations for the Mid County wastewater treatment plant

1 are included in Exhibit ATW-6. My analysis is slightly higher than UIF's number of  
2 91.75% largely because the Test Year Flows I obtained from the Florida Department  
3 of Environmental Protection (FDEP) Discharge Monitoring Reports (DMRs). These  
4 flows are greater than what UIF utilized in the MFRs. In prior Orders, the Commission  
5 determined that the U&U of the WWTP to be 92%. In Order No. PSC-09-0373-PAA-  
6 SU, the Commission maintained the 92% U&U number in recognition that "some  
7 additional capacity is available as redevelopment and some growth in the service area  
8 occurs."

9  
10 Despite UIF's U&U calculation of 91.75% for this system, UIF deems Mid County to  
11 be 100% U&U. On Schedule F-6 of the Mid County MFRs, UIF "contends that the  
12 limits of redevelopment in the service area appear to have been reached as evident in  
13 the stability of the meter equivalent growth in Schedule F-10 and the plant should now  
14 be found to be 100% U&U." I find this statement to be at odds with the fact that UIF  
15 on the same Schedule F-6 includes 52,368 gpd of projected post test year flow  
16 generated by 27 new ERCs per year in the U&U calculation. It seems quite clear that  
17 additional growth in the system can occur. As a result, it is my opinion that 100%  
18 U&U for this system is unwarranted.

19  
20 **Q. WHAT IS YOUR OPINION OF THE MID COUNTY COLLECTION**  
21 **SYSTEM?**

22 A. In my review of the system maps UIF filed with the MFRs, I identified approximately  
23 50 unserved lots that have access to collection lines. However, this is such a small

1 number compared to the total lots in the service area that the U&U of the collection  
2 system is essentially 100%; therefore, I do not take exception to UIF's proposal for  
3 this system.

4  
5 *Lake Placid U&U*

6 **Q. WHAT IS YOUR OPINION OF THE U&U OF THE LAKE PLACID WWTP?**

7 A. I calculated the U&U for the Lake Placid WWTP to be 29.79%. My U&U  
8 calculations for the Lake Placid WWTP are included in Exhibit ATW-7. My analysis  
9 is slightly higher than UIFs calculated number of 20.83% largely because UIF  
10 neglected to include an adjustment for growth in the system that is supported by the  
11 analysis on Schedule F-10 of the Lake Placid MFRs. Despite UIF's U&U calculation  
12 of 20.83%, on schedule F-6 for lake Placid, UIF claims this Lake Placid system should  
13 be 100% U&U since "the system is not over built and the Commission has found in  
14 the last rate case that there is no growth or potential for growth."

15  
16 The no-growth claim is completely refuted by the fact that the Commission has  
17 historically found this WWTP to be 28.5% as stated in Order PSC-14-0335-PAA-WS.  
18 The growth data UIF supplies in the Schedule F-10 of its MFRs clearly shows that  
19 growth has occurred in the system. In addition, a review of the system maps of the  
20 Lake Placid service area that UIF submitted as part of its filing show that there is  
21 substantial area in the service territory that can accommodate new growth.  
22 Furthermore, Exhibit ATW-8 presents an FDEP construction application to construct a  
23 wastewater collection system for a new Dollar Store in the Lake Placid service area.

1           Moreover, page 10 of 13 of this exhibit shows UIF signed the FDEP application as the  
2           Company that will assume ownership of the facilities after it is placed into service.  
3           Clearly, growth is occurring in this service area. Therefore, the calculation for U&U  
4           taking into account the five-year period for growth should be 29.79%.

5

6    *Labrador U&U*

7    **Q.    WHAT IS YOUR OPINION OF THE U&U OF THE LABRADOR WWTP?**

8    A.    I calculated the U&U for the Labrador WWTP to be 40.59%. My U&U calculations  
9           for the Labrador WWTP are included in Exhibit ATW-9. UIF calculates the U&U to  
10          be 40.27%; however, UIF contends that, since there has been no growth in the service  
11          area and customer usage has actually declined since the last rate case, the system  
12          should be considered 100% U&U. Nevertheless, the Company recognizes that there is  
13          an 11.6 acre undeveloped parcel in the service area. In addition, a review of the area  
14          around the Labrador certificated service territory shows that there is extensive  
15          undeveloped land adjacent to the service territory boundary (see Exhibit ATW-10).  
16          Clearly, there is potential for new customer development to occur either inside or  
17          adjacent to the certificated service territory. Because the service area is not built-out  
18          and there is the ability for the service area to expand, this system does not satisfy the  
19          two-part test I borrowed from Rule 20-30.4325(4), F.A.C. Therefore, the unused  
20          capacity in the WWTP could be used to provide service to new customers and this  
21          system should not be considered 100% U&U.

1 *Eagle Ridge U&U*

2 **Q. WHAT IS YOUR OPINION OF THE U&U OF THE EAGLE RIDGE WWTP?**

3 A. UIF requests the WWTP be considered 100% U&U, claiming the service area is built  
4 out. In evaluating UIF's claim, I applied the two prong test mentioned above in my  
5 testimony. I reviewed the system maps provided by UIF as part of the MFRs, as well  
6 as aerial photographs. In addition, I conducted a site visit to the WWTP site and drove  
7 through a portion of the Eagle Ridge service area. The entire service area is a planned  
8 community and is located in a highly developed region of Lee County. I am of the  
9 opinion that the design service area is 100% built-out and, since Eagle Ridge is a  
10 planned community, there is little likelihood for redevelopment to occur. Furthermore,  
11 the surrounding area is developed with centralized service provided by other utilities,  
12 so there is no potential to expand the service territory of the system. Even though I  
13 calculated the U&U for the Eagle Ridge WWTP to be 84.49% (My U&U calculations  
14 for the Eagle Ridge WWTP are included in Exhibit ATW-11), I find both prongs of  
15 my build-out test are met and that the Eagle Ridge WWTP should be considered 100%  
16 U&U; I do not take exception to UIF's U&U proposal for this system.

17

18 **Q. WHAT IS YOUR OPINION OF THE U&U FOR THE EAGLE RIDGE**  
19 **COLLECTION SYSTEM?**

20 A. Based on my review of the system maps UIF provided with the MFRs and my  
21 evaluation of the service area, I find that the Eagle Ridge collection system is 100%  
22 U&U.

1 *Crownwood U&U*

2 **Q. WHAT IS YOUR OPINION OF THE U&U OF THE CROWNWOOD WWTP?**

3 A. I calculated the U&U for the Crownwood wastewater treatment plant to be 53.20%.  
4 My U&U calculations for the Crownwood WWTP are included in Exhibit ATW-12.  
5 In Crownwood Schedule F-6, UIF calculates the U&U to be 53.73% and then goes on  
6 to say that in Docket 020071-WS the U&U for this system was previously set by the  
7 Commission at 68.65%. UIF goes on to say that in Order No. PSC 14-0025-PAA-WS,  
8 the Commission found all systems to be 100% U&U. However, this Order clearly  
9 states that the Marion County systems, one of which is Crownwood, were not a part of  
10 that rate proceeding. In reviewing this system, I found that the certificated service  
11 territory is built out. However, the area around the service territory indicates that there  
12 is extensive undeveloped land adjacent to the service territory boundary (see Exhibit  
13 ATW-13). Only one part of my two-part test is met since the service territory is built  
14 out but there is the ability for the service area to expand. There is clearly the potential  
15 for new customer development to occur adjacent to the certificated service territory,  
16 and for the Company to seek an expansion of its service territory to provide service to  
17 any new customers. Therefore, the unused capacity in the WWTP could be used to  
18 provide service to new customers and this system should not be considered 100%  
19 U&U. The appropriate U&U to apply to this system is 53.20%.

1 *Sandalhaven U&U*

2 **Q. WHAT IS YOUR OPINION OF THE U&U FOR SANDALHAVEN**  
3 **WASTEWATER TREATMENT CAPACITY WITH ENGLEWOOD WATER**  
4 **DISTRICT?**

5 A. As noted above, the U&U methodology utilized by UIF in the Sandalhaven MFRs  
6 overstates the amount of U&U for the wastewater treatment capacity with Englewood  
7 Water District (EWD). First, UIF includes prepaid and guaranteed revenue  
8 connections in lieu of including an adjustment for growth in the calculations. Second,  
9 in the MFRs, UIF provides a narrative describing the conditions that led to the decision  
10 to purchase the EWD capacity and construct the force main and lift station. UIF  
11 claims that the EWD capacity should be considered 100% U&U because UIF was  
12 prudent in its decisions with respect to purchasing capacity. Based on my review of  
13 the documentation, it appears that the decision to purchase capacity and construct the  
14 facilities was prudent at the time the decision was made. However, being prudent in  
15 acquiring capacity is not a justification that all components should be considered 100%  
16 U&U. I testified to this effect in the Sandalhaven rate proceeding before Charlotte  
17 County in 2012, and the County agreed with my position.

18

19 As I previously discussed, the inclusion of prepaid connections in U&U  
20 inappropriately extends the period for the growth adjustment to an indefinite period of  
21 time and distorts the U&U calculation. Sandalhaven is a perfect example of how  
22 adding prepaid connections in the U&U calculation forces the current customers to  
23 carry the costs for growth indefinitely. Exhibit ATW-14 Sandalhaven Composite

1 Exhibit includes page 4 of 4 of Schedule F-6 from the Sandalhaven MFRs, UIF's  
2 responses to OPC's 1<sup>st</sup> Request for Admission, and UIF's responses to OPC's 9<sup>th</sup> Set  
3 of Interrogatories.

4  
5 MFR Schedule F-6 in Exhibit ATW-14 shows the status of the prepaid commitments  
6 for Sandalhaven as well as ERCs not built. The dates associated with these prepaids  
7 go back at least as far as 1995 with one noted as "predates UI ownership." If prepaid  
8 connections were allowed in the U&U calculation in 1995, the Sandalhaven customers  
9 would have been paying for that capacity for more than twenty years. The majority of  
10 the remaining prepaid connection transactions occurred in the 2003 to 2006 timeframe  
11 and, over ten years later, many still have not connected.

12  
13 **Q. WHAT IF THE PREPAID ERC COMMITMENTS WILL NEVER**  
14 **MATERIALIZE, SHOULD THAT BE CONSIDERED?**

15 A. Yes, but only if the Commission accepts UIF's proposal for including prepaid ERC  
16 connections in the U&U calculation. In response to OPC's First Request for  
17 Admissions, No. 29, UIF admits that 322 of the prepaid ERCs will never be used at the  
18 Placida Commons/Coral Caye (formerly 8401 Placida Road) project. The original  
19 developer prepaid for 418 ERCs, but this project was later redeveloped into a 96 lot  
20 development, so 322 prepaid ERCs will never be used. It is unreasonable for current  
21 customers to pay indefinitely in their rates for growth that will never happen. There  
22 are two other projects on Schedule F-6 for Sandalhaven, Hammocks at Cape Haze and

1 Cape Haze Resort, which have 85 and 120 ERCs not built. These prepaid  
2 commitments might also never be built.

3  
4 On March 2, 2017, UIF updated the total prepaid commitments/ERCs not built  
5 remaining. MFR Schedule F-6 showed 862 prepaid ERCs not built as of December  
6 31, 2015; UIF response to OPC 9<sup>th</sup> Interrogatory No. 219 (revised) shows 847 prepaid  
7 ERCs not built as of December 31, 2016. To ensure that current customers do not pay  
8 for 322 ERCs that will never be used, the total 847 prepaid ERCs not built should be  
9 reduced to 525 prepaid ERCs not built (847 less 322). However, I do not recommend  
10 that any prepaid commitments be included in the U&U calculation.

11  
12 **Q. WHAT OTHER CONCERNS DO YOU HAVE REGARDING UIF'S USE OF**  
13 **PREPAIDS IN THE SANDALHAVEN U&U ANALYSIS?**

14 A. UIF uses an unreasonable gpd/ERC wastewater generation rate in its U&U calculation.  
15 UIF's U&U calculation uses a 190 gpd/ERC wastewater generation rate which is  
16 almost double the average historical rate of 101 gpd/ERC for Sandalhaven. In  
17 response to OPC Interrogatory No. 219 (revised), UIF updates "ERCs not built" and  
18 "Prepaid Capacity Not Used" on MFR schedule F-6 page 4 of 4. The update reduces  
19 prepaid connections to 847 ERCs not built and Prepaid Capacity Not Used to 160,930  
20 gpd of wastewater flow. However, this update does not account for the 322 ERCs that  
21 will never connect and does not use the appropriate wastewater generation rate of 101  
22 gpd/ERC. If both were updated, the Prepaid Capacity Not Used would be reduced  
23 further to 53,025 gpd (101 gpd x 525 ERCs not built). In my opinion, using prepaid

1 connections in a U&U analysis is inappropriate, but if included, the appropriate  
2 wastewater flows associated with the prepaids is 53,025 gpd, which results in a  
3 substantially smaller U&U percentage for Sandalhaven.  
4

5 **Q. WHAT OTHER CONCERNS DO YOU HAVE REGARDING UIF'S**  
6 **SANDALHAVEN U&U ANALYSIS?**

7 A. As in previous rate cases, UIF claimed "economies of scale" as a justification for a  
8 100% U&U analysis of this system. While I agree in principle that there is the  
9 potential for economies of scale in utility construction, the mere mention of the  
10 concept is not sufficient evidence to support a 100% U&U value. It is important to  
11 note that constructing larger than needed facilities adds to the operations and  
12 maintenance costs of a utility which could in turn lead to higher rates. Any  
13 consideration of economies of scale in the context of U&U should include specific,  
14 measurable advantages, with offsets for corresponding increases in costs related to the  
15 extra capacity of the utility. UIF has not provided specific evidence to document the  
16 level of economies of scale associated with these facilities, and this argument should  
17 be disregarded.  
18

19 **Q. WHAT HAS THE COMMISSION'S POSITION BEEN HISTORICALLY**  
20 **REGARDING ECONOMIES OF SCALE IN THE U&U CALCULATION?**

21 A. In Order No. PSC-16-0013-PAA-SU, the Commission recognized UIF's argument for  
22 economies of scale in prudently sizing the facilities to meet the long term needs of the  
23 service area. However, in calculating the U&U for Sandalhaven, there is no mention

1 of economies of scale nor is there any U&U adjustment that is attributed to economies  
2 of scale.

3

4 **Q. HOW WAS THE ECONOMY OF SCALE ISSUE DEALT WITH IN THE 2012**  
5 **RATE CASE BEFORE CHARLOTTE COUNTY?**

6 A. There was no U&U adjustment for economies of scale in the Order adopted by  
7 Charlotte County.

8

9 **Q. CAN YOU DESCRIBE YOUR APPROACH TO THE U&U CALCULATION**  
10 **FOR THE COMPONENTS OF THE SANDALHAVEN SYSTEM?**

11 A. My approach to U&U for the Sandalhaven system follows the methodology I used in  
12 the 2012 Rate Case under Charlotte County's jurisdiction which was accepted by the  
13 hearing officer and approved by the County Commission. The components I evaluated  
14 are the EWD capacity, master lift station, pumping plants, and force main. Each  
15 component is associated with providing wastewater service to the customers; however,  
16 each has a different capacity and the U&U analysis should account for these  
17 differences. Therefore, I evaluated each component separately for U&U which is  
18 similar to the approach taken by the Commission in previous Sandalhaven rate cases.  
19 *See* FPSC Order No. PSC-07-0865-PAA-SU and Order No. PSC-16-0013-PAA-SU.  
20 In identifying the capacity of these components, I relied upon documentation provided  
21 by UIF in previous rate cases including the 2004 Sandalhaven Wastewater Treatment  
22 Facility Wastewater Master Plan and two letters. One letter was dated June 26, 2007  
23 from CPH, an engineering company, and one letter was dated October 9, 2015 from

1 Kimley Horn, another engineering company, both signed by Stephen Romano, a  
2 Florida Registered PE (These three documents are included in ATW-15). I also relied  
3 upon the prior Sandalhaven Orders issued by the Commission and Charlotte County.  
4 Based on my review of these documents, I used the following capacities in my U&U  
5 analysis:

- 6 ○ Englewood Water District Capacity – 300,000 gpd
- 7 ○ Master Lift Station Structure – 665,000 gpd
- 8 ○ Pumping Plant – 275,000 gpd
- 9 ○ Force Main – 935,000 gpd

10  
11 **Q, ARE THESE THE SAME CAPACITIES THAT WERE USED BY THE**  
12 **COMMISSION AND CHARLOTTE COUNTY IN PREVIOUS RATE CASES?**

13 A. No. The Commission historically has considered the master lift station as having a  
14 capacity of 500,000 gpd. However, in referring to the June 26, 2007 letter from CPH  
15 Engineers, the engineer states that the master lift station was designed to serve 665,000  
16 gpd so I have revised the capacity of the master lift station to equal this design  
17 capacity. In addition from the same letter, the installed lift station pumps (pumping  
18 plants) have a lower capacity of 275,000 gpd which I have also used. I make the  
19 distinction between the lift station pumps and the master lift station to incorporate the  
20 lower capacity of the pumps, which in turn increases the pumps' U&U percentage.

21  
22 Since the WWTP has been demolished, the force main to EWD now provides service  
23 to the entire Sandalhaven service area. The 2004 Sandalhaven Master Plan identifies

1 the projected build out flow for the service area as 935,000 gpd, so I have used that  
2 capacity for the force main U&U calculation.

3

4 **Q. HOW DO YOU TREAT THE TEST YEAR FLOWS FOR THE**  
5 **SANDALHAVEN U&U CALCULATION?**

6 A. According to the flow data presented in Schedule F-2 of the Sandalhaven MFRs, both  
7 the WWTP and EWD were receiving wastewater flows through October and a part of  
8 November. Since the WWTP was removed from service, the entire wastewater flow  
9 generated in the system has been treated by EWD. For my U&U analysis, I utilized  
10 the total Test Year flows for the EWD Capacity and the Force Main. For the Master  
11 Lift Station and Pumping Plant, I utilized the Test Year flow that was sent to EWD for  
12 treatment as a conservative value.

13

14 **Q. WHAT ARE THE U&U PERCENTAGES YOU DETERMINED FOR THE**  
15 **SANDALHAVEN SYSTEM COMPONENTS?**

16 A. My U&U calculations for the Sandalhaven system components are included in Exhibit  
17 ATW-15. The results of the analysis are:

- 18 ○ Englewood Water District Capacity – 42.24% U&U
- 19 ○ Master Lift Station – 11.27% U&U
- 20 ○ Pumping Plant – 27.25% U&U
- 21 ○ Force Main – 13.55% U&U

1 **Q. HOW WOULD YOUR U&U ANALYSIS DIFFER FROM ANALYSIS**  
2 **PROTESTED IN ORDER NO. PSC-16-0013-PAA-SU?**

3 A. As I noted before, OPC protested Order No. PSC-16-0013-PAA-SU and the U&U  
4 calculation was preserved for determination in this case. I have several concerns with  
5 the methodology used for the U&U calculation in that Order. First, the U&U statute  
6 and Rule do not mention prepaid or guaranteed revenue connections, thus I would not  
7 include prepaid connections and guaranteed revenue connections in the U&U  
8 calculation for the reasons stated earlier in this testimony.

9  
10 Second, I would not use peaking factors. I believe it was an error to use peaking  
11 factors to adjust test year flows used in the U&U calculation which in turn overstated  
12 the PAA Order U&U calculation. Both methods of calculating U&U for the  
13 Sandalhaven system were substantial deviations from the Commission's historical  
14 method for calculating U&U.

15  
16 **Q. PLEASE EXPLAIN YOUR CONCERNS REGARDING THE USE OF**  
17 **PEAKING FACTORS IN A U&U CALCULATION?**

18 A. Wastewater flows and capacity can be expressed in a number of ways. Frequently  
19 with wastewater treatment plants, capacity is expressed in terms of the average annual  
20 daily flow, or AADF, which is simply the average of all of the daily flows in a year.  
21 Yet, within that year there is also a maximum month (the month with the highest  
22 average of daily flows), a maximum day (the day with the highest flow within the  
23 year) and even a peak hour (the hour with the highest flow within a day). The

1 relationship between these flows is usually expressed as a ratio of the AADF. For  
2 example, the maximum daily flow is typically 1.5 to 2 times the annual average daily  
3 flow, and peak hour flow is typically 3 to 4 times the annual average daily flow.  
4 Expressing the flows for a system in different ways is important for planning, design,  
5 and proper sizing. A wastewater pipeline intended to provide service to a 1 MGD  
6 AADF service area but will actually be designed to accommodate the peak hour flow  
7 of 3 to 4 MGD. When doing a U&U analysis, it is crucial that the basis of flow  
8 (AADF, peak hour, maximum day) be the same for both the numerator (the adjusted  
9 flow) and the denominator (the facility capacity).

10

11 **Q. PLEASE DESCRIBE THE ERROR OF USING PEAKING FACTORS IN THE**  
12 **U&U CALCULATION?**

13 A. The test year flows were adjusted by applying a peaking factor of 2.03; however, there  
14 was no corresponding adjustment to the facility capacities which are expressed as  
15 AADF. As a result, the U&U was calculated by using peak flows divided by AADF  
16 capacity. This overstates U&U by a factor of 2.03 times. Therefore, to ensure an  
17 apples to apples U&U analysis, the Commission should calculate using AADF flows  
18 divided by the AADF capacity in order to arrive at the proper U&U calculation.

19

20 **IV. PRO FORMA ADDITIONS TO RATE BASE**

21 **Q. WILL YOU GENERALLY DESCRIBE THE PRO FORMA ADDITIONS TO**  
22 **RATE BASE?**

1 A. In this rate case, UIF is requesting approval for approximately \$30.8 million in post-  
2 test year pro forma rate base additions to be included in rate base and customer rates.  
3 Of the 47 proposed projects, 44 can be characterized as renewing aging facilities,  
4 replacing aging facilities, or improving operations in a number of UIF systems. There  
5 are three projects which do not fit into those categories, and they are as follows: (1)  
6 The Myrtle Hills Water Main is a growth related project, extending service to new  
7 customers in the Sanlando system; (2) Another project is the replacement of a service  
8 truck; and (3) The last project is for establishing a UIF system-wide asset database and  
9 GIS mapping system.

10

11 **Q. HOW DID YOU ORGANIZE YOUR REVIEW OF UIF'S REQUESTED PRO**  
12 **FORMA ADDITIONS TO RATE BASE?**

13 A. My review of the requested pro forma projects to rate base fall into four categories or  
14 buckets for cost recovery in this rate case:

- 15 (1) Pro forma projects with adequate cost justification  
16 (2) Pro forma projects with cost justification supporting less than requested  
17 (3) Pro forma projects lacking adequate cost justification, and  
18 (4) Pro forma projects without any cost justification

19

20 Pro forma projects in the first two categories should be included in rate base because  
21 the costs appear to be reasonable and were adequately supported by the documentation  
22 provided by UIF. Pro forma projects in the second two categories should not be  
23 included in rate base for the reasons discussed in my testimony. Throughout my

1 testimony I use pro forma projects and pro forma additions synonymously to refer to  
2 the almost \$30.8 million in post-test year plant additions for which UIF is requesting  
3 cost recovery in this rate case.

4  
5 **Q. DID YOU ENCOUNTER ANY DIFFICULTIES IN PERFORMING YOUR**  
6 **ANALYSIS OF THE AMOUNTS SUPPORTING THE REQUESTED THE**  
7 **PRO FORMA PROJECTS?**

8 A. Yes. The amounts requested in the MFRs did not match the amounts supported in Mr.  
9 Flynn's written direct testimony and the supporting documentation in Mr. Flynn's  
10 testimony exhibits did not always add up to the amounts in Mr. Flynn's written direct  
11 testimony. These deficiencies create a huge problem for anyone analyzing the  
12 reasonableness of costs because one does not know which amounts the Commission  
13 will rely upon when making adjustments or setting prospective rates. In this case,  
14 Staff's Second Set of Interrogatories Nos. 80, 81 and Fourth Set of Interrogatories No.  
15 112 recognized this problem by asking why there were discrepancies between  
16 Schedule A-3 and Mr. Flynn's direct testimony and exhibits. The information  
17 contained in the MFRs and Mr. Flynn's testimony should match; however, it does not.  
18 UIF stated in each of the interrogatory responses:

19 The values in Schedule A-3 represent the cost information that was  
20 available for each project when preparing the MFR's. Where the values  
21 identified for each project contained in witness Flynn's direct testimony  
22 differs from the MFR's, the difference reflects information gathered  
23 subsequently such as project bids, contract amounts, and invoices. The  
24 amounts noted in either column do not include capitalized time nor  
25 interest incurred during construction

1 While I do not agree that UIF should be allowed to provide different information in  
2 testimony compared to the information contained in its MFRs, I needed a starting point  
3 for my analysis; therefore, I relied on the amounts in Mr. Flynn's direct testimony for  
4 my analysis and recommended adjustments because there were no other data points  
5 available.

6  
7 **Q. WHAT HAS BEEN THE QUALITY OF THE SUPPORTING**  
8 **DOCUMENTATION FOR THE PRO FORMA ADDITIONS TO RATE BASE?**

9 A. For the post December 31, 2015 test-year pro forma projects identified in the MFRs,  
10 UIF witness Flynn provided only a part of the supporting documentation as Exhibits to  
11 his August 30, 2016 testimony. Initially, the MFRs and Mr. Flynn's testimony exhibits  
12 were deemed deficient by the Commission.<sup>1</sup> On October 31, 2016, UIF completely  
13 replaced all of Mr. Flynn's exhibits in response to Staff's deficiency letter. On  
14 November 22, 2016, almost three months after UIF's initial rate filing, UIF's MFR and  
15 application deficiencies were deemed cured. Despite the curing of the deficiencies,  
16 much of the supporting documentation provided in Mr. Flynn's revised exhibits fall  
17 short of the minimum requirements to sufficiently support an addition to rate base.

18  
19 **Q. WHAT DOCUMENTATION IS NECESSARY TO SUPPORT THE**  
20 **ADDITIONS TO RATE BASE?**

21 A. A rate base calculation relies upon plant-in-service amounts that are derived from the  
22 actual booked costs of assets in the utility system and are supported by invoices from  
23 contractors or equipment suppliers. Therefore, actual invoices that document the full

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<sup>1</sup> Document No.07871-16, filed September 29, 2017, in Docket No. 160101-WS.

1 scope of the projects and their final installed costs represent the best documentation to  
2 support additions to rate base. That same documentary standard would apply to plant  
3 additions completed during and after the test year.

4

5 **Q. WOULD ANY OTHER TYPE OF INFORMATION BE SUFFICIENT?**

6 A. Yes, competitive bids plus a signed contract. Competitive bids from contractors or  
7 suppliers for a well-defined project scope could be considered so long as the selected  
8 contractor also has a signed contract or agreement with the utility to perform the work.  
9 Competitive bidding, usually from three or more bidders, is an important aspect of  
10 obtaining the best cost available in the marketplace. Three competitive bids usually  
11 provide the utility with a range of costs for the project. With the selected contractor  
12 bound by an agreement or contract to perform the work, there is reasonable assurance  
13 that the project will go forward. However, the level of information in a competitive  
14 bid or executed contract is not as reliable as actual booked costs.

15

16 **Q. PLEASE EXPLAIN WHY A COMPETITIVE BID ALONE IS NOT ENOUGH**  
17 **TO JUSTIFY THE PRO FORMA PROJECT COSTS.**

18 A. Competitive bids do not take into account anything that may happen during the  
19 construction of the project, such as contingencies. For example, there may be an  
20 unforeseen site condition that increases the overall project cost. In that case, relying  
21 upon bids for adjustment to rate base could understate the actual project cost.  
22 Conversely, the scope of the project may be reduced after the bids are received,  
23 thereby reducing the actual cost. If competitive bids are accepted as documentation for

1 pro forma additions to rate base, I recommend that, a subsequent true-up should be  
2 conducted to reconcile the actual project costs to rate base. In addition, to provide  
3 some assurance that the project will actually proceed beyond the bidding process,  
4 documentation should be provided demonstrating the contractor is under contract and  
5 work on the project is proceeding.

6  
7 **Q. WHAT IS YOUR OPINION OF THE USE OF ESTIMATES PREPARED BY**  
8 **ENGINEERS OR OTHERS AS SUPPORTING DOCUMENTATION FOR PRO**  
9 **FORMA RATE BASE ADDITIONS?**

10 A. Cost estimates come in various levels of detail and accuracy, depending upon the  
11 amount of engineering detail and the amount of analysis conducted. One of the  
12 primary purposes of an engineering cost estimate is to inform the utility of the amount  
13 of funds necessary to complete the project. As a result, cost estimates are conservative  
14 in nature. No engineer wants to provide a cost estimate to a utility that underestimates  
15 the cost of a project, but that sometimes happens. For example, in the recent KW  
16 Resorts Utilities rate case in Docket No. 150071-SU, the initial engineering estimate  
17 for the 350,000 gallon treatment tank was significantly less than the competitive bids  
18 for the project. If properly performed, an engineering cost estimate is routinely higher  
19 than the project cost as determined from competitive bids. Therefore, I do not consider  
20 engineering estimates or other estimates as sufficient supporting cost documentation  
21 for pro forma rate base additions for cost recovery.

1 **Q. WHAT WAS THE QUALITY OF THE PRO FORMA ADDITION**  
 2 **DOCUMENTATION PROVIDED IN RESPONSE TO THE COMMISSION'S**  
 3 **DEFFICIENCY NOTICE?**

4 A. In some cases, it was sufficient; however, in many instances, what was provided did  
 5 not meet the test of valid supporting documentation, and for seven pro forma plant  
 6 additions, no information was provided at all.

7

8 *Pro Forma projects with adequate cost justification*

9 **Q. WHICH PRO FORMA PLANT ADDITIONS HAVE SUFFICIENT COST**  
 10 **JUSTIFICATION?**

11 A. Based on my review, UIF has provided sufficient documentation to support  
 12 \$17,016,571 of the \$30,835,444 in pro forma additions in Mr. Flynn's testimony.

13

<u>Flynn's Exhibit Number</u>	<u>Project</u>	<u>Project Amount per Flynn's Testimony</u>
PCF-2	Cypress Lakes Sediment Removal	\$50,200
PCF-4	Labrador Sediment Removal	\$61,137
PCF-6	LUSI Oswalt Road WM Relocation	\$181,400
PCF-8	LUSI TTHM & HAA5 Study	\$79,250
PCF-10	LUSI US 27 Utility Relocation	\$1,806,000
PCF-11	Longwood Church Ave. Relocation	\$193,880
PCF-12	Longwood I&I Study	\$50,000
PCF-15	Mid County Field Office	\$65,000
PCF-16	Mid-County Flow Study (I&I)	\$80,000

PCF-22	Sanlando Autumn Wood Dr. WM Replacement	\$98,970
PCF-23	Sanlando Lift Station RTU Installation	\$353,200
PCF-24	Sandlando Markham Wood Utility Relocate	\$65,900
PCF-26	Sanlando I&I Study and Remediation	\$1,573,884
PCF-29	Sanlando Well 2A Lift Station Electrical Imp.	\$343,437
PCF-31	Tierra Verde 8 <sup>th</sup> Ave. Gravity Main Replacement	\$84,673
PCF-32	UIF Orange Crescent Heights WM Replacement	\$1,806,000
PCF-35	Lake Tarpon Water Main Replacement	\$800,000
PCF-38	UIF Seminole Bear Lake WM Replacement	\$1,485,270
PCF-39	UIF Seminole Crystal Lake WM Replacement	\$1,585,933
PCF-40	UIF Seminole Little Wekiva WM Replacement	\$521,681
PCF-41	UIF Seminole Weathersfield Northwest FM	\$120,000
PCF-42	UIF Seminole Oakland Shores WM Replacement	\$1,571,701
PCF-43	UIF Seminole Phillips WM Replacement	\$1,188,247
PCF-44	UIF Seminole Ravenna Park WM Replacement	\$2,160,808
PCF-45	UIF Seminole Ravenna Park Crystal Lake Int	\$646,000
PCF-46	Truck Upgrade	\$44,000
	Total	\$17,016,571

1

2 *Pro forma projects with cost justification supporting less than requested*3 **Q. WHICH PRO FORMA PROJECT COST LESS THAN UIF ESTIMATED?**

4 A. There were 12 pro forma projects where the supporting documentation provided shows  
5 the project cost less than what UIF requested in Mr. Flynn's testimony. I have  
6 summarized those projects and costs in Exhibit ATW-16. According to Mr. Flynn's  
7 testimony, these 12 projects were estimated to cost a total of \$4,905,450; however,  
8 after reviewing supporting documentation provided through either Flynn's revised

1 testimony exhibits or discovery, I determined these 12 projects cost \$4,239,967. So I  
 2 am recommending \$655,483 in reductions from the total amount as shown in the table  
 3 below:

<u>Flynn's Exhibit Number</u>	<u>Project</u>	<u>Project Amount per Flynn's Testimony</u>	<u>Supported Amount</u>
PCF-1	Hydrotank Replacement	\$30,000	\$25,732
PCF-3	WWTP EQ Tank and Headworks	\$350,000	\$106,388
PCF-5	Sludge Dewatering Equipment	\$245,000	\$240,000
PCF-7	SCADA	\$470,000	\$458,902
PCF-18	Methanol Pumps and Nutrient Analyzer	\$102,000	\$92,576
PCF-19	US Hwy 19 Relocation	\$230,000	\$172,879
PCF-21	Placida Road Utility Relocation	\$250,000	\$217,034
PCF-25	Myrtle Hills WM	\$695,450	\$684,271
PCF-30	Wekiva WWTP Rehabilitation	\$1,803,000	\$1,729,034
PCF-36	Electrical Improvements at Little Wekiva	\$323,000	\$268,830
PCF-37	WM Replacements	\$57,000	\$0
PCF-47	GIS Mapping Services	\$350,000	\$244,321
	Total	\$4,905,450	\$4,239,967

4

5 **Q. IN WHAT WAY WAS THE SUPPORTING DOCUMENTATION FOR THESE**  
 6 **PROJECTS DEFICIENT?**

7 A. In most cases the invoices or competitive bids did not add up to the amount in Mr.  
 8 Flynn's direct testimony. However, for the Eagle Ridge EQ Tank and Headworks  
 9 (Exhibit PCF-3), the Wekiva WWTP Rehabilitation (Exhibit PCF-30), and the WM  
 10 Replacements (Exhibit PCF-37) projects, there are other reasons for the reductions.

1 **Q. WHAT IS YOUR REASON FOR THE EAGLE RIDGE EQ TANK**  
2 **ADJUSTMENT?**

3 A. Exhibit PCF-13, the Eagle Ridge EQ Tank and Headworks project, is being  
4 constructed in a number of phases by different contractors. Much of the supporting  
5 documentation, including the cost of the EQ Tank which is the largest component of  
6 the project, did not have competitive bids or signed agreements that would adequately  
7 support the costs for inclusion into rate base.

8

9 **Q. WHAT IS YOUR REASON FOR THE WEKIVA WWTP REHABILITATION**  
10 **ADJUSTMENT?**

11 A. For Exhibit PCF-30, the Wekiva WWTP Rehabilitation project, I disagree with UIF's  
12 estimate for the sales tax.

13

14 **Q. WHY DOES YOUR SALES TAX ESTIMATE DIFFER FROM UIF'S**  
15 **ESTIMATE FOR THE SANLANDO WEKIVA WWTP REHABILITATION**  
16 **PROJECT?**

17 A. UIF's contract executed with the contractor for this project does not include any sales  
18 tax. Since this project is currently being constructed, there is no way of obtaining the  
19 exact amount of taxes that will apply. In Mr. Flynn's Exhibit PCF-30, he estimates the  
20 taxes at 7% for the entire value of the project. However, this is clearly overestimated  
21 since a large portion of this contract includes project costs that are non-taxable, such as  
22 labor.

1 For my estimate of taxes, I looked at some of the actual contractor invoices that UIF  
2 provided during discovery and found that taxes were only being paid on the equipment  
3 portion of the contract at a rate of 6%. Exhibit ATW-17 shows one of the invoices I  
4 considered. Therefore, I estimated total sales tax for this project at 6% on the total  
5 equipment costs.

6

7 **Q. WHAT IS YOUR REASON FOR THE WM REPLACEMENTS ADJUSTMENT?**

8 A. Documentation provided for Exhibit PCF-37, the UIF-Orange & Seminole Water  
9 Main (WM) Replacements, supports engineering costs for a number of different water  
10 systems costs that are also supported with the individual system projects; therefore, I  
11 have removed the \$57,000 amount to avoid double counting.

12

13 *Pro Forma projects lacking adequate cost justification*

14 **Q. WHAT PRO FORMA PROJECTS ARE LACKING ADEQUATE COST**  
15 **JUSTIFICATION?**

16 A. There are two projects, the Mid-County Electrical Improvements and Sanlando  
17 Shadow Hills Diversion projects, which lack adequate cost justification to be included  
18 in customer rates in this rate case.

19

20 **Q. WHAT ARE YOUR CONCERNS WITH THE MID-COUNTY ELECTRICAL**  
21 **IMPROVEMENTS PROJECT (EXHIBIT PCF-14)?**

22 A. The information provided in Mr. Flynn's testimony did not include any invoices,  
23 competitive bid information, contractor agreements, or invoices. To the extent that

1 any supporting information was provided, it was provided in discovery first provided  
2 on February 25, 2017, a little more than a week before my testimony was due to be  
3 filed. Based on the scant information that was provided, I have significant concerns  
4 about how this project was bid.

5  
6 My first concern has to do with the bid forms that were received in discovery. As I  
7 explained above, competitive bids are a necessary component to ensure the  
8 reasonableness of a project's costs. Typically, the bidding process consists of a  
9 number of potential contractors, usually three, submitting a binding bid price based on  
10 the same set of drawings and specifications. This is important because in order to get  
11 competitive prices each contractor must have access to the same information.

12  
13 In response to OPC's discovery, UIF provided two bids related to this project, one  
14 from APG Electric for \$1,017,000 and one that *appears to be* from EMS of Central  
15 Florida for \$1,110,000. Both bids are attached as Exhibit ATW-18. The bid from APG  
16 is typical of what I would expect for a binding contractor's bid. The bid is on a  
17 standardized form signed by a representative of APG and notarized. The bid includes  
18 a valid date, contract price, listing of subcontractors and other information that is  
19 helpful in evaluating bids.

20  
21 The "bid" from EMS of Central Florida is on a single sheet of paper, un-dated, un-  
22 signed, and contains none of the information that should have been included as  
23 compared to APG's bid. The full name of a representative of the company is missing

1 from the form. In my professional opinion, the document from EMS is not a valid bid  
2 and throws into question the validity of costs for this project. This project needs to be  
3 re-bid and excluded from rate base in this case. Therefore, I find that the estimated  
4 costs for this project are unsupported and \$900,000 should not be included in this rate  
5 case.

6  
7 **Q. WHAT ARE YOUR CONCERNS WITH THE SHADOW HILLS DIVERSION**  
8 **PROJECT (EXHIBIT PCF-27)?**

9 A. The Shadow Hills Diversion project is the largest project in this rate case, *initially*  
10 estimated to cost over \$4.2 million. It is broken down into six phases and will have  
11 five different contractors coordinating to complete the project. In UIF's original  
12 submission in its MFRs, an engineer's estimate was provided to support the  
13 \$4,243,423 cost. To the extent that any supporting information was provided, it was  
14 provided in discovery first provided on February 25, 2017, a little more than a week  
15 before my testimony was due to be filed. Based on a preliminary review of the  
16 supporting information provided, it appears that the cost for this pro forma  
17 improvement has increased to approximately \$7,800,000, an increase of more than  
18 \$3,600,000 from UIF's original estimated cost. UIF received bids for the four most  
19 expensive phases of the project in early January 2017, and contracts for the work were  
20 executed on February 20, 2017.

21  
22 As a professional engineer, I have a major concern with an 88% increase in project's  
23 estimated cost and feel that additional investigation and substantial vetting is required

1 to determine why the numbers are \$3,600,000 more than UIF’s original estimate.  
 2 With the contracts only recently executed on February 20, 2017, there was insufficient  
 3 time to conduct additional discovery to fully review the prudence and reasonableness  
 4 of the cost numbers. Therefore, I recommend that ~~\$4,243,423~~ \$6,913,423 in costs be  
 5 excluded from the current rate case.

6

7 *Pro Forma projects without any cost justification*

8 **Q. WHICH PRO FORMA ADDITIONS HAS UIF FAILED TO PROVIDE ANY**  
 9 **SUPPORTING DOCUMENTATION?**

10 A. As of February 25, 2017, UIF has failed to provide any supporting documentation on  
 11 seven projects totaling approximately ~~\$3,800,000~~ \$2,100,000 as shown in the table below.

Flynn's Exhibit Number	Project	Project Amount per Flynn’s Testimony
PCF-9	TTHM & HAA5 Study	\$450,000
PCF-13	Longwood Groves I&I Remediation	\$450,000
PCF-17	Mid-County Excess I&I Remediation	\$600,000
<del>PCF-20</del>	<del>Pennbrooke WTP Electrical Improvements</del>	<del>\$270,000</del>
PCF-28	Wekiva WWTP Blower Replacement	\$600,000
<del>PCF-33</del>	<del>Orangewood, Buena Vista WM Replacement</del>	<del>\$1,200,000</del>
<del>PCF-34</del>	<del>Summertree Well Abandonment</del>	<del>\$200,000</del>
	Total	<del>\$3,770,000</del> <u>\$2,100,000</u>

12

13 Mr. Flynn stated in his August 30, 2016 testimony that the supporting information for  
 14 these projects will be submitted either 60 or 90 days after filing depending upon the  
 15 project. The exhibit pages in his testimony that refer to these projects state: “held for

1 future use.” As of February 25, 2017, 179 days have passed since the filing of the rate  
2 case and supporting information has not been received, 116 days since Mr. Flynn’s  
3 revised exhibits were filed on October 31, 2016, and 95 days since the Commission  
4 deemed UIF’s MRFs to be complete. Therefore, UIF has had more than enough time  
5 to provide support for these seven projects. Since UIF failed to timely meet its burden  
6 of proof for including these pro forma additions in rate base, \$3,770,000 should be  
7 exclude from rate base.

8  
9 **Q. WHAT ABOUT UIF’S RESPONSE TO STAFF’S SEVENTH SET OF**  
10 **INTERROGATORIES, NO. 179 RECEIVED ON MARCH 2, 2017?**

11 A. UIF’s response to Staff’s 7<sup>th</sup> Set of Interrogatories, No. 179, served to OPC and Staff  
12 on March 2, 2017, four days before the Intervenor testimony deadline, contains eight  
13 Amended Exhibits to Mr. Flynn’s testimony, Exhibits PCF-1, 9, 13, 17, 20, 27, 33, and  
14 34. There is no opportunity to verify any of the information in the amended exhibits,  
15 conduct discovery, or adequately review all the documents.

16  
17 In order to incorporate all the requested pro forma projects into rate base and the  
18 requested revenue requirement, UIF had the burden to demonstrate the reasonableness  
19 of the costs when it filed its MFRs, direct testimony, and exhibits. UIF clearly failed  
20 to provide the necessary support for the reasonableness of all its requested pro forma  
21 projects at the time of its initial filing in August or even by the time its MFR  
22 deficiencies were cured in November. It is unreasonable to inject such late  
23 information into this rate case with no time for review.

1 **Q. WHAT IS THE TOTAL AMOUNT OF YOUR ADJUSTEMENTS TO THE**  
2 **PRO FORMA ADDITIONS?**

3 A. Of the total \$30,835,444 requested by UIF in its MFRs, direct testimony, and exhibits,  
4 the documentation provided supports allowing up to \$21,256,538 pro forma additions  
5 to rate base at this time.

6

7 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS IN THIS CASE.**

8 A. Consistent with my testimony, adjustments in the following areas should be made  
9 related to: (1) excessive unaccounted for water in ten systems; (2) excessive inflow  
10 and infiltration in three systems; (3) recalculating the appropriate U&U percentages for  
11 seven system wastewater treatment plants and two wastewater collection systems; and  
12 (4) allowing no more than \$21,256,538 in pro forma rate base additions. These  
13 recommended adjustments are reasonable and supported by the documents provided  
14 by UIF in its original filing and responses to discovery.

15

16 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

17 A. Yes.

1 CHAIRMAN BROWN: And staff, do you have any  
2 questions?

3 MR. TRIERWEILER: None.

4 CHAIRMAN BROWN: None for this witness. Okay.  
5 Oh --

6 MR. TRIERWEILER: I'm sorry. Do I have  
7 questions for this witness? Yes, Madam Chair. I  
8 have a lot of questions for this witness. I -- I  
9 may have too many questions for this witness.

10 CHAIRMAN BROWN: You know you're not on cross.  
11 You know this isn't cross.

12 MR. TRIERWEILER: Oh. Oh, that -- that part  
13 of it. That part of it. Yes, I do have questions  
14 for this witness. Thank you for your indulgence.

15 CHAIRMAN BROWN: I think we all need a  
16 Snickers break.

17 MR. TRIERWEILER: In the worst way, but first  
18 let me get through this.

19 (Laughter.)

20 EXAMINATION

21 BY MR. TRIERWEILER:

22 Q Mr. Woodcock, good afternoon.

23 A Good afternoon.

24 Q Have you had an opportunity to review staff's  
25 comprehensive exhibit list, specifically staff's

1 exhibits identified with your name?

2 A I have.

3 Q Did you prepare these exhibits or were they  
4 prepared under your direction and supervision?

5 A Yes, they were.

6 Q And are they true and correct, to the best of  
7 your knowledge and belief?

8 A Yes.

9 Q Would your answers be the same today as they  
10 were when you prepared them?

11 A Yes.

12 MR. TRIERWEILER: Thank you.

13 CHAIRMAN BROWN: Thank you.

14 Public Counsel?

15 EXAMINATION

16 BY MR. SAYLER:

17 Q Mr. Woodcock, did you prepare a summary for  
18 your testimony?

19 A Yes.

20 Q Would you make that -- give that summary at  
21 this time, please.

22 A Sure. I am a Florida registered professional  
23 engineer with 27 years experience in the water and  
24 wastewater utility industry. My particular professional  
25 experience has been involved in the planning, design,

1 and evaluation of water and wastewater utilities.

2 I have conducted over 60 water and wastewater  
3 due-diligence studies on waste- -- on waste- --  
4 wastewater systems where I evaluated the operations,  
5 capacity analysis, condition of assets, and regulatory  
6 compliance. I'm also familiar with asset management and  
7 how it applies in the water and wastewater industry.

8 I have testified in numerous rate cases, both  
9 before the Florida Public Service Commission and in  
10 other non-jurisdictional counties in Florida. The scope  
11 of my testimony includes excessive, unaccounted-for  
12 water; excessive inflow; used-and-useful; and pro forma  
13 improvements.

14 As part of my work in this proceeding, I have  
15 reviewed data provided in the MFRs, testimony, discovery  
16 and supporting documentation. In addition, I conducted  
17 field visits of several UIF systems in the presence of  
18 UIF personnel to observe the progress of some of the pro  
19 forma projects and to obtain a general understanding of  
20 the operation of the systems. In my opinion, I have  
21 found excessive, unaccounted-for water in ten UIF water  
22 systems and excessive inflow in three wastewater  
23 systems.

24 In my used-and-useful review, I only disagree  
25 with UIF on several waste- -- seven wastewater-treatment

1 plants, including Lake Utility Services, Mid-County,  
2 Lake Placid, Labrador, Eagle Ridge, Crownwood, and  
3 Sandalhaven.

4 For the pro forma additions, UIF originally  
5 requested an approval for 30.8 million over 47 projects.  
6 In my review of the information, I found significant  
7 discrepancies between the requested amount, as presented  
8 in Mr. Flynn's direct testimony, and the supporting  
9 documentation. In many cases, the documentation was  
10 provided only days before my testimony was due, and I  
11 had insufficient time to do anything other than a  
12 cursory review.

13 I found that, not only have the cost of these  
14 pro forma projects varied greatly through the course of  
15 those proceedings, some of the projects have changed its  
16 scope and at least one has been excluded.

17 In order to organize and review my opinions, I  
18 have broken the 47 pro forma projects into four  
19 categories. The first category is projects that have  
20 sufficient documentation that supports the amounts  
21 requested in Mr. Flynn's direct testimony. I found for  
22 26 projects that I accept the amount of \$17 million.

23 For the second category, these are projects  
24 that have documentation less than what was requested in  
25 Mr. Flynn's direct testimony. For these 12 projects, I

1 accept the amount supported that I had sufficient time  
2 to review before filing my testimony. And they total  
3 4.2 million.

4 The third category is two projects that lack  
5 adequate cost documentation. And it is my opinion these  
6 two projects totaling around 4.2 million should be  
7 disallowed.

8 Finally, the fourth category are projects  
9 where UIF failed to timely provide any justification.  
10 These seven projects, totaling about 3.8 million, should  
11 be removed.

12 In summary, I am recommending that  
13 approximately 21.3 million out of UIF's original  
14 30.8 million be included in the rate case.

15 CHAIRMAN BROWN: Thank you.

16 MR. SAYLER: Madam Chair, we tender the  
17 witness for cross.

18 CHAIRMAN BROWN: Thank you.

19 All right. Mr. Woodcock, welcome, again.

20 Summertree.

21 MR. ARMSTRONG: We just have one question for  
22 Mr. Woodcock.

23 EXAMINATION

24 BY MR. ARMSTRONG:

25 Q Mr. Woodcock, are you familiar with any other

1 Florida utilities that have implemented asset management  
2 predictive maintenance -- preventive maintenance, CMMS  
3 programs?

4 A Yes, I am.

5 Q In your opinion, is that prevalent? Is it not  
6 found often, but -- just in your opinion.

7 A These days, it's the industry standard. It's  
8 been moving in the direction of asset management. Asset  
9 management, itself, is more of a discipline as opposed  
10 to a system. Probably started coming into vogue about  
11 20 years ago. These days, it's pretty much industry  
12 standard.

13 MR. ARMSTRONG: Thank you, Madam Chair.

14 CHAIRMAN BROWN: Thank you.

15 Utility? Mr. Friedman?

16 EXAMINATION

17 BY MR. FRIEDMAN:

18 Q To follow up on that, when -- when you say  
19 industry standard, can you point me to privately-owned  
20 water and wastewater systems in Florida that have  
21 implemented that system already?

22 A I am not familiar with any, no.

23 Q All right. So -- so, you're looking main- --  
24 what you're talking about mainly is government utilities  
25 that have implemented this?

1           A     No, I would say industry standard.  If you go  
2 out and look at trade publications, which apply for both  
3 public and investor-owned utilities, if you look at  
4 AWWA, WAF, you look at industry literature, you look at  
5 the products that are out there, I'm sure they're being  
6 market- -- marketed to investor-owned utilities.

7           **Q     Right.**

8           A     It's water and wastewater industry, regardless  
9 of ownership.

10          **Q     It's being marketed to them, but it -- you**  
11 **can't point to one single utility in Florida that's --**  
12 **one single investor-owned water and wastewater utility**  
13 **that has already implemented it, can you?**

14          A     I am not familiar with any.

15               MR. ARMSTRONG:  Madam Chair, might I ask --  
16 might I ask one question --

17               CHAIRMAN BROWN:  No.

18               MR. ARMSTRONG:  -- in follow-up?

19               CHAIRMAN BROWN:  No, sir.

20               MR. ARMSTRONG:  All right.  It was a good one.

21               CHAIRMAN BROWN:  I'll bet.

22               MR. ARMSTRONG:  You're missing out on a good  
23 one.  (Laughter.)

24 BY MR. FRIEDMAN:

25          **Q     All right.  Let me ask -- let me go into the**

1 used-and-useful issue. Start with Labrador. I think  
2 that's on Page -- Page 20 of your prefiled testimony.  
3 And am I correct that you do not believe that the  
4 wastewater-treatment plant is a hundred percent used and  
5 useful?

6 A Correct.

7 Q And you believe that because there's some area  
8 around the certificated area, there's -- I'm sorry.  
9 There is significant -- or I'm sorry -- you used the  
10 worse "extensive"; extensive undeveloped land adjacent  
11 to the territory?

12 A That is correct.

13 Q And you believe that the Commission should  
14 consider that in determining whether the wastewater-  
15 treatment plant is a hundred percent used and useful?

16 A I do.

17 Q Can you point to any instance where the  
18 Commission has ever adopted that theory?

19 A I -- I cannot. I'm not aware of any.

20 Q Did you go to -- when you're visiting systems,  
21 did you go to that system?

22 A Labrador was not one that I visited.

23 Q So, you determined that there was extensive,  
24 undeveloped land by looking at Google Earth?

25 A Google Earth and other satellite imagery, yes.

1 If you look, there is extensive -- I would call it  
2 pastureland, multi-acre, ranch-head homes in the  
3 vicinity.

4 Q You got any idea how many acres you're talking  
5 about?

6 A I do not.

7 Q Do you know even who owns the land around it?

8 A I do not.

9 Q Do you know what the zoning is?

10 A I would assume that the zoning is  
11 agricultural. And I'm sure that it could change if  
12 development standards were to -- or the development  
13 pressures were there.

14 Q All right. Now, you're saying you're  
15 assuming. I'm asking: Do you know what the zoning is  
16 it? Did you go check the zoning?

17 A I did not.

18 Q Okay. Do you know whether there are currently  
19 any development plans for that land?

20 A I do not.

21 Q Do you have any idea when the property will be  
22 developed, if at all?

23 A I do not.

24 Q And when you made this assumption, did you  
25 take into consideration whether the property was within

1 a 180 zone of a municipality?

2 A I did not.

3 Q You know what a 180 zone is.

4 A I do. I know what you're talking about.

5 Q All right. Let's -- let's go to Crownwood. I  
6 think you took the same position in Crownwood, did you  
7 not? There was some undeveloped land adjacent to the  
8 facility; is that correct?

9 A That's correct.

10 Q All right. And you didn't go see --  
11 personally view that system either, did you?

12 A I did not.

13 Q And -- and would you have any other --  
14 different answers for Crownwood than for the questions I  
15 asked you about Labrador?

16 A They would be the same.

17 Q All right. Let's go to the -- the big one.  
18 On Page 29, I think we start the discussion about  
19 Sandalhaven?

20 A Sandal- --

21 Q Used-and-useful.

22 Now, am I correct that, in determining used-  
23 and-useful for the force main, that you just did a  
24 simple mathematical calculation?

25 A Oh, it was more than just a mathematical

1 calculation that was involved. Yes, there was a  
2 mathematical calculation, but in looking at the force  
3 main, I think one of the big things that's at issue here  
4 is what is the capacity of that force main; what was it  
5 designed for.

6 So, there was quite a bit of thought analysis  
7 that went into putting the right numbers into the  
8 equation.

9 **Q Okay. But once you got the numbers, you**  
10 **just -- you just did a simple equation. Here is the**  
11 **capacity of the line, here is what the current use is,**  
12 **and just, bam, a number pops out.**

13 A I find that's what the appropriate used-and-  
14 useful is for, yes.

15 **Q All right. Now, you say the appropriate --**  
16 **what rule do you point to that the Commission has for**  
17 **used-and-useful on a force main?**

18 A Well, I relied on what the Commission's prior  
19 position has been regarding these specific facilities  
20 and how they relate to the wastewater-treatment capacity  
21 that was purchased in Englewood Water District. It's a  
22 little bit different than the treatment of what you  
23 would call a typical force main that's just transmitting  
24 water and wastewater within a system -- I'm sorry --  
25 just wastewater.

1           Q     And what did you do different -- what did you  
2 do other than just make the simple mathematical  
3 calculation?

4           A     Well, I -- I already said. I mean, there's a  
5 lot that goes into determining what are the appropriate  
6 numbers that go there.

7           Q     Okay. What number did you use for the  
8 capacity of the line?

9           A     For the capacity of the line? I used the  
10 capacity -- or the -- the build-out capacity of the  
11 service area that was determined by, I believe it was,  
12 CPH and their master plan of the Sandalhaven system.

13          Q     All right. And then what did you use for the  
14 amount of effluent that would be going through that  
15 line?

16          A     I use the test year's flows, as there was an  
17 adjustment for excessive I&I.

18          Q     And so, you just did -- from there, you took  
19 a -- you took one number, divided by the other, and it  
20 came out to be a 13- -- whatever that number was --  
21 13.55 percent?

22          A     Yes, I believe that's pursuant to the rule.

23          Q     Well, again, what -- you talk about --

24          A     Test-year flow divided by capacity.

25          Q     I'm sorry. You talk about the rule. What

1 **rule is it that tells you this?**

2 A Ah, I see. I -- I would be following the  
3 wastewater-treatment rule. Once again, this -- this --  
4 these particular assets have been established in prior  
5 proceedings as being tied to the treatment capacity that  
6 was purchased in Englewood Water District.

7 **Q All right. But you say -- say the treatment**  
8 **capacity. Does the wastewater-treatment plant rule**  
9 **apply to force mains?**

10 A In this case? From what has been done prior  
11 in this case?

12 **Q I'm asking you whether the rule applies -- the**  
13 **rule just talks about wastewater-treatment plants, does**  
14 **it not?**

15 A I don't know the exact wording of the -- of  
16 the rule.

17 **Q You don't?**

18 A I'm -- I'm not sure if it says wastewater-  
19 treatment plants or wastewater-treatment capacity. I --  
20 I'd -- I'd be happy to read it.

21 **Q Well, I mean, you made these opinions. I'm**  
22 **just trying to figure out how you came up with them.**

23 A Okay.

24 **Q So -- so, it's my understanding that you**  
25 **believe this rule applies to, not just the capacity, but**

1 also the other components of the other wastewater  
2 system?

3 A In this unique case, based on what the  
4 Commission has -- how it's been treated prior, I feel  
5 like this is the appropriate way to continue looking at  
6 these assets for used-and-useful.

7 Q All right. But in doing that, you're not  
8 looking at them exactly like the Commission did in the  
9 prior cases, though, are you?

10 A No, there -- there are differences, but  
11 fundamentally, I am looking at the individual assets, a  
12 force main, and a lift station, that is tied to capacity  
13 that is held by the Englewood Water District that  
14 Utilities, Inc. purchased.

15 Q And you did the same thing for a lift station,  
16 yes?

17 A Yes, there's a lift station.

18 Q Now, the -- the -- so, you're saying the force  
19 main is 13.55 percent used and useful, correct?

20 A Correct.

21 Q All right. And what capacity -- and -- and  
22 under that theory, you understand that that means the  
23 utility is not going to be able to earn a return on the  
24 difference between that and a hundred percent, correct?

25 A That is my understanding.

1           **Q     All right.  And so, what capacity would you**  
2 **have recommended that they build when they -- when they**  
3 **designed the force main?**

4           A     Well, that is not something that I can really  
5 tell you.  There's a very thorough and exhaustive  
6 engineering analysis that would have to go into that.  I  
7 will say that I have read the master plan that  
8 established these capacities and these sizes.  I know  
9 the engineering company that did it to be reputable.  I  
10 believe it's signed and sealed.  And I can rely upon the  
11 opinion of -- of another engineer.

12           I -- I find that, when those master plans were  
13 developed, at that time, it certainly seemed like the  
14 appropriate course of action to construct the force main  
15 and the lift station.

16           **Q     And the size that they were constructing.**

17           A     Correct.

18           **Q     And as an -- as an engineer, would you**  
19 **recommend to your client that they build that type of**  
20 **plant, even though they could only earn 13.55 percent**  
21 **return interest on that -- not plant, I'm sorry -- the**  
22 **force main?**

23           A     As an engineer, I'm going to look at it from  
24 an engineering standpoint and designed to engineering  
25 principles.  As the design engineer, I -- I would not

1 likely be privy to the larger rate-making world that the  
2 utility has to -- has to deal with and the -- and the  
3 risk that's associated with building lines and used-and-  
4 useful.

5 Q Okay. So -- So, designing a force main to --  
6 to -- to just 13 percent of the capacity, as you  
7 recommend in used -- in your used-and-useful analysis --

8 A I did not recommend that.

9 Q You didn't result -- you didn't result -- you  
10 didn't recommend 13.55 percent for the force main?

11 A I -- I did not rec- -- I did not recommend  
12 to -- the design capacity that would lead to  
13 13.55 percent.

14 Q Okay. But if they had designed -- if they had  
15 designed that -- that force main to be 13.55 percent of  
16 the ultimate needs, that would be in conflict with good  
17 engineering practices, wouldn't it?

18 A It would. Rate-making and the engineering  
19 practice don't necessarily have to match.

20 Q So, don't you believe it would have been  
21 imprudent for them to construct a force main that only  
22 could accommodate then-existing flows?

23 A That would be imprudent in any engineering  
24 design where you're expecting a lot of growth. And at  
25 the time, these -- the line was sized, I believe UIF or

1 Sandalhaven was expecting there to be a lot of growth to  
2 come into the system.

3 Q And as to the master lift station, you agree,  
4 do you not, that the construction of the master lift  
5 station was prudent?

6 A Yes.

7 Q And even though you believe it is prudent,  
8 you're recommending that the lift station only be  
9 11.27 percent used and useful; is that correct?

10 A I'm sorry. Could you restate that?

11 Q Yes. Even though you believe that the lift  
12 station was constructed prudently, you're recommending  
13 that it only be 11.27 percent used and useful; is that  
14 correct?

15 A Absolutely. Prudency and used-and-useful  
16 are -- are separate, individual concepts.

17 Q Okay. Would you describe what a master lift  
18 station looks like?

19 A Well, I can describe this one. I visited it  
20 on my inspections.

21 Q Okay.

22 A It is kind of hidden behind some shrubberies  
23 and a wall. It's in -- in a development. I can't  
24 remember the name.

25 Q Just generically. I don't need to know --

1 A Okay.

2 Q -- **this** --

3 A It's basically a concrete hole in the ground,  
4 if you need something that simplistic (laughter).

5 Q **That's -- that's --**

6 A There are pumps inside --

7 Q **It --**

8 A -- that pump the wastewater out.

9 Q **It's not rocket science.**

10 A Okay.

11 Q **All right. So, if you built a smaller one to**  
12 **meet the then-existing needs, what would you do when you**  
13 **needed to build a bigger master lift station?**

14 A You --

15 Q **You can't just expand it, can you?**

16 A You could possibly expand it. There are ways  
17 to do that. There's lots of alternatives to -- to how  
18 you could address that need, if you had to.

19 Q **But if it's a concrete hole in the wall, you**  
20 **have to expand the concrete somehow, do you not? Or**  
21 **build another lift station next to it?**

22 A Possibly. It may be that you can find some  
23 ways that you can adjust the levels in that lift station  
24 to put in some different pumps and make the most out of  
25 it. It would depend on a case-by-case basis.

1           Q     Have -- haven't they already done that in this  
2 case, about adjusting the pumps to meet the current  
3 flows while having the ability to expand the pumps when  
4 the flow is increased?

5           A     That's -- that's correct, actually. Yes, the  
6 pumps that are in the -- in the lift station are much  
7 smaller than the total design of the physical hole in  
8 the ground.

9           Q     And how many times have you made used-and-  
10 useful analyses for -- before the Public Service  
11 Commission?

12          A     How many times?

13          Q     Yeah. Any -- any idea?

14          A     I'm going to guess less than ten, but that  
15 covers a whole lot of systems.

16          Q     Okay. Do you ever give it a so-called "smell  
17 test" when you get through? You ever look at your  
18 calculations and say, here is the mathematical  
19 calculation; now, does that really make sense? Do you  
20 ever do that?

21          A     Absolutely. I did it in -- in this case.

22          Q     Okay. And did you do an analysis to see what  
23 the cost per plant -- per customer -- the cost of the  
24 plant per customer based upon your used-and-useful  
25 calculations?

1           A     I did not do that.

2           Q     Do you have an idea of what -- based on your  
3     **experience, what it usually costs to -- per thousand**  
4     **gallons for a -- or per gallon, whatever you engineers**  
5     **design at, for a wastewater-treatment plant?**

6           A     Oh, it varies a lot. It depends on your  
7     method of effluent disposal, what regulatory standards  
8     you have, the size of the plant. I mean, it -- it's a  
9     very wide range.

10          Q     Just -- just, how big is the Sandalhaven  
11     **plant, when it was in existence?**

12          A     I don't remember right now.

13          Q     All right. Well, then what are the ranges  
14     **you're talking about, per -- per cust- -- per --**

15          A     If you don't count effluent disposal, which  
16     can be a big function -- so, we're just looking at, you  
17     get it into the plant and you're treating it -- it could  
18     be anywhere -- the numbers that I want to use on the low  
19     side are -- I don't know -- eight to ten gallons. So,  
20     if you had a one-MPD plant, it would, you know, cost  
21     \$10 million. It could go up, 15, 16, 17.

22          Q     So, what would -- I'm -- I can't do the math.  
23     **So, what would that be per -- per gallon?**

24          A     So, if you have, let's say, a one-million-  
25     gallon plant --

1 Q Let's use something smaller.

2 A Okay.

3 Q Because this -- this certainly wasn't a  
4 million gallons.

5 A A hundred-thousand-gallon-per-day plant.

6 Q All right. Yeah. What would you spend?

7 A So, if you say, you know, eight to  
8 16 gallons -- or dollars per gallon per day -- so, you  
9 would take that hundred thousand dollars and multiply it  
10 by eight or 16 to get your range. I don't know. When  
11 you start getting down into smaller sizes, that kind of  
12 breaks down, now that I think about it.

13 When you're talking about big plants, you have  
14 a lot of concrete structures and more physical -- like  
15 the Wekiva plant that U- -- UIF has. It has a lot of  
16 concrete structures or even what might be at Lake  
17 Utility Services.

18 When you get down into smaller plants, you're  
19 generally looking at mostly steel construction. Those  
20 numbers may drop. It may be high on my eight-to-16 per  
21 gallon number there. And again, I've got to say, I -- I  
22 haven't costed out a lot of lower-end treatment plants  
23 in a while. I really -- you know, probably something  
24 less than eight, but I wouldn't know how far down to go.  
25 You kind of caught me on that one.

1 Q In making your used-and-useful analysis, did  
2 you give any credence to the last PSC order?

3 A Yes. Yes.

4 Q Okay. And you were familiar with the fact  
5 that OPC had protested that order; were you not?

6 A We're still talking Sandalhaven?

7 Q San- -- yes, that's right.

8 A Yes. Yes.

9 Q And that, as part of that settlement that was  
10 reached, that used-and-useful was not going to be  
11 precedence -- the used-and-useful determinations for  
12 Sandalhaven would not be precedent in future cases; do  
13 you recall that?

14 A I -- I will accept that. I know that, as part  
15 of the settlement, that the actual findings in the order  
16 weren't agreed to for used-and-useful. I'm not quite  
17 sure if that fits quite what you said.

18 CHAIRMAN BROWN: Maybe restate the question.

19 Q Is it your understanding that the used-and-  
20 useful analysis in the last Sandalhaven rate case has  
21 any precedential value?

22 A No. No.

23 Q Let's move to the discussion of pro formas.

24 Am I correct that it's your belief that UIF should not  
25 receive more for an individual pro forma project than

1 was originally requested?

2 A I'm of the belief that UIF -- well, I would  
3 think in any rate case that you're putting your best  
4 foot forward with your original filing.

5 Q All right. Didn't -- didn't quite get there.  
6 So, if -- if an individual -- you're looking at each of  
7 these as individual projects, correct?

8 A Correct.

9 Q All right. And if one individual project cost  
10 went down, then you recommended that the cost go down?

11 A If there was not supporting documentation for  
12 the amount that was requested, then I went with the  
13 amount that the supporting documentation supported.

14 Q Okay. And in some cases, in fact, they --  
15 they -- the price went down from what was originally  
16 estimated, correct?

17 A For what was originally presented in  
18 Mr. Flynn's testimony, yes.

19 Q And in some cases, an individual project may  
20 have gone up as well?

21 A I -- I was surprised to find that, but it did.  
22 It certainly supported Mr. Flynn's testimony.

23 Q You're surprised to find the prices of  
24 projects go up?

25 A I was surprised to find that the supporting

1 documentation for Mr. Flynn's testimony was higher than  
2 what he was actually requesting in the rate case.

3 Q Okay. That's a -- that's a little nuance  
4 difference there, huh?

5 And in those cases where it came back higher,  
6 you recommended that it be limited to what was in his  
7 original request, correct?

8 A My recommendation was that his -- his request  
9 was supported.

10 Q All right. If the -- if the price went up,  
11 and if supported, am I not correct that you recommend,  
12 nonetheless, that the -- only the lesser amount be  
13 included?

14 A Well, the amount that he requested, if there  
15 was documentation that was provided that was higher than  
16 that -- certainly does support his request. And so, I  
17 have -- you know, I would agree with his opinion that it  
18 should be that amount.

19 Q So, you lowered it to the original request --

20 A I didn't lower anything. I agreed with  
21 Mr. Flynn's testimony where I found that his numbers  
22 were supported. If that supporting documentation was  
23 higher than what he requests, he gets what he requested,  
24 in my opinion.

25 Q All right. And you're talking about the

1 **initial request, not -- not the subsequent request.**

2 A Well, there's the request that -- that was  
3 made at the original filing. The exhibits were, then,  
4 refiled on October 31st. I don't believe his testimony  
5 had changed at that point.

6 So, I -- I haven't seen anything up until my  
7 testimony that would change his request.

8 Q So, it's -- we're talking about terminology,  
9 aren't we? You're considering his request as being  
10 what -- what was in the initial MFRs. Is that what  
11 you -- when you use the word "request," is that what  
12 you're using?

13 A Actually, my baseline was what was in his  
14 testimony. I'm not sure what carried from his testimony  
15 into the MFRs.

16 Q Okay. So, you don't recognize him having a  
17 right to change and update his testimony?

18 A Oh, he certainly can change and update his  
19 testimony. I don't believe that his direct testimony  
20 was changed or updated.

21 Q To the extent that -- that some of the  
22 projects came in higher in -- when they got actual  
23 contracts than the original estimates?

24 A Well, I -- I would have expected we would have  
25 gotten an errata like I made in my testimony and some of

1 the other testimonies where there were changes.

2 Q But you're talking about form versus  
3 substance. I'm talking about projects that are  
4 supported by the -- by the type of documentation that  
5 you said needed to be supported, which is a signed  
6 contract.

7 If there's a signed contract that came in  
8 higher than the original estimate, you recommended the  
9 original estimate, did you not?

10 A Correct -- or what was in Mr. Flynn's  
11 testimony. I want to clarify --

12 Q Well, you --

13 A I want to clarify it's not the estimate. You  
14 keep saying the "estimate" and I -- I --

15 Q Isn't it true that some of the original  
16 documentation were based on -- on -- on estimates and  
17 not actual contracts?

18 A Yes. Yes.

19 Q So, if -- if one project went up, but another  
20 one went down, you didn't just put it in one big pot and  
21 say that the total overall amount was -- was reasonable.

22 A I did not.

23 Q Do you know of any Commission order that has  
24 accepted your analysis of how the pro forma plant should  
25 be addressed?

1           A     I -- I don't know of any Commission order that  
2 would address anything like that in that level of  
3 detail. Usually, it's just what has been accepted.

4           Q     But you don't know of -- as you sit here  
5 today, you don't know of any Commission order that has  
6 accepted your methodology of accepting decreases in some  
7 pro forma projects, but not recognizing increases in pro  
8 forma projects?

9           A     I do not.

10          Q     Now, in your prefiled testimony, you talked  
11 about some -- a lot of documentation that was received.  
12 Today, you said a few days before your prefiled  
13 testimony. I think your prefiled testimony said it was  
14 a little more than a week before your testimony was due.

15                   There was a lot of documentation provided; was  
16 there not?

17          A     In both cases. There was documentation that  
18 was provided to me on February 25th. And then there  
19 was doc- --

20          Q     Okay.

21          A     Which would have been about a week. And then  
22 there was documentation that was provided on March 2nd,  
23 which would have been just a few days.

24          Q     Okay. And did you analyze any of them?

25          A     What came in on February 25th, yes, I did.

1 And it's included in my testimony.

2 **Q Wasn't the Shadow Hills diversion project part**  
3 **of that documentation?**

4 A It was.

5 **Q And -- but -- but -- and it was there, and you**  
6 **had time to review it, but you chose not to?**

7 A It's not that I didn't -- chose not to. It's  
8 just that it was materially different from what I was  
9 expecting. What was originally submitted back in  
10 August, and hadn't changed, was basically an  
11 engineering-design report, an engineering contract,  
12 which isn't sufficient documentation.

13 What I got, less than a week -- I don't know,  
14 six days -- before my testimony was due was a project  
15 that was in more than twice the cost. It involved five  
16 different contractors. In addition to what I expected  
17 was just a pump station and a force main, there was a  
18 generator, there was a building. You know, there were a  
19 lot of other components where the scope of this project  
20 expanded significantly.

21 I didn't feel like I could -- had enough time  
22 to render a thorough review and -- and a -- a formal  
23 opinion, given how much the project had changed.

24 **Q Did you make any effort to vet that with the**  
25 **company through discovery?**

1           A     That was discovery that came in. That  
2 discovery actually -- if I remember correctly, the  
3 February 25th was discovery that I worked with OPC to  
4 develop after I had done my inspection of the facilities  
5 at UIF.

6           Q     But you chose not to serve any discovery on --  
7 on any of the specifics of any of the projects that you  
8 got responses for on that date.

9           A     I'm sorry. Can you repeat that?

10          Q     You chose not to -- to seek further discovery  
11 on the specifics of any of those projects; is that  
12 correct?

13          A     That's correct.

14          Q     Let me jump real quick to this and let me see  
15 if I can understand -- I'm looking at Exhibit 285. This  
16 is the last of the changes you made.

17          A     Okay.

18          Q     They're both on Page 44, it looks like. Can  
19 you explain to me the reason for the first change on  
20 Line 4?

21          A     I can. These are all interrelated, each one  
22 of those changes.

23          Q     Is it easier to explain the second one first?

24          A     Probably.

25          Q     Okay. Then, please do.

1           A     Okay. All of these changes arise from the  
2 fact that there was discovery that was received on  
3 February 6th that was a partial response to OPC's first  
4 set of PODs regarding the pro forma projects. For  
5 whatever reason, I missed it. I overlooked it. I did  
6 not include it in my testimony. And it wasn't brought  
7 to my attention until this past weekend.

8           So, these changes here reflect the impact of  
9 my review of that discovery on my testimony. It doesn't  
10 change the end of my conclusions. If you remember, I  
11 set up my testimony with four little buckets of  
12 projects. And it just basically moves projects from one  
13 bucket to another.

14           **Q     And this bucket on Page 44 is your bucket that**  
15 **says there was no documentation provided.**

16           A     Correct.

17           **Q     So, those were taken out of or deducted, if**  
18 **you will, from -- from what projects you think they were**  
19 **entitled to recover for?**

20           A     Correct.

21           **Q     And now, your changes -- am I correct that**  
22 **that takes them off of this bucket, so it moves them**  
23 **into the --**

24           A     Move- -- moves them into the third bucket; the  
25 third bucket being those projects that did not have

1 supporting documentation -- sufficient doc- --  
2 supporting documentation, and should be removed.

3 **Q I thought that's what this bucket is.**

4 A No, this bucket was there was nothing  
5 provided; just the held for future use.

6 **Q All right. So, they went from a -- from a --**  
7 **unsupported into the -- into another bucket?**

8 A Correct.

9 **Q And was that one of the other schedules in**  
10 **your testimony?**

11 A Yeah, it's actually in my testimony as a -- as  
12 a -- it's actually the table before. I guess it's going  
13 to be on Page 43, which isn't amended. Oh, no. I take  
14 that back.

15 **Q Yeah. No, it's not on 43.**

16 A Let me turn back to Page 41, Line 13. That's  
17 where I discuss the third bucket: Pro forma projects  
18 lacking on -- in -- lacking adequate cost justification.

19 **Q All right. So, in -- in taking these off of**  
20 **this list, are you saying they do have adequate**  
21 **justification?**

22 A No. No. What I'm saying is that, instead of  
23 having nothing provided, something was provided, but  
24 it's still not adequate.

25 **Q And not adequate for what reason?**

1           A     Well, in one case, all that was provided was  
2     an add-change form -- actually, I think that was in two  
3     cases. In another case, there was nothing but an  
4     agreement, no evidence of bidding. It just -- there was  
5     not enough there to -- to support the costs.

6           **Q     So, this didn't change your bottom line. It**  
7     **just --**

8           A     Correct.

9           **Q     -- moved things from one rejection category to**  
10    **another?**

11          A     From one bucket to another?

12          **Q     From one -- from one negative bucket to one**  
13    **negative bucket?**

14          A     If you want to characterize it that way, yes.  
15    It has no change on my bottom line.

16          **Q     All right. Then go up here and explain why**  
17    **there's a change on -- on Line 4.**

18          A     The change on Line 4 is actually the -- if you  
19    adjust the amount that was adjusted out of the fourth  
20    bucket, that's what the total of the third bucket is  
21    now. So, instead of being the 4.243 million, it is now  
22    6.913 million.

23          **Q     I admit not being a math expert, but that's**  
24    **not just adding 2.1 to your number, correct -- to your**  
25    **original four -- four-million-two number?**

1 A No, it's not.

2 Q I -- I'm just trying to figure out -- help me  
3 here. How do you get from four million 243 to six  
4 million 913?

5 A (Examining document.) Well, the amount that  
6 was adjusted was from 30 -- or three million 770 down to  
7 2100. And that difference was added into the amount  
8 above.

9 Q Would you please -- one more time.  
10 Three million -- where did -- where did it -- where did  
11 that other three million come from?

12 A If you look at -- on the table that's on  
13 Page 44, the number is adjusted from 3,770,000 to 2100.  
14 That difference is added to the 42, 43 number up above.

15 Q All right. So, the 42-43 number above isn't  
16 just related to the Shadow Hills project?

17 A It's Shadow Hills and Mid-County.

18 Q All right. So, it looks like the questions  
19 starting on seven all deal with Shadow Hills. And then  
20 you get down here and your recommendation is really  
21 Shadow Hills and Mid-County together?

22 A Where are you on your -- on my testimony?

23 Q I was where you were, on that page --

24 A Okay. The description of that --

25 Q Page 43, the question on Line 7 deals with

1 **Shadow Hills.**

2 A That's correct.

3 Q All right. And this is what may have confused  
4 me. All right. So, all this discussion is about Shadow  
5 Hills. And then you come down to make a conclusion.

6 A Actually, if I can back you up to Page 41 --

7 Q Okay.

8 A On Line 14, this is where I'm discussing the  
9 third bucket. And on -- actually, on Line 16, I say,  
10 there are two projects, Mid-County and Sanlando, which  
11 lack adequate cost justification to be included in  
12 customer rates in this case. Then I discuss Mid-County.  
13 And then on 43, I discuss Shadow Hills.

14 Q Okay. So, you just added them together  
15 instead of putting -- putting each of them separately,  
16 you added them together?

17 A (Examining document.) Yes.

18 Q And so, this -- this -- the original 4,243,423  
19 number was just -- just those two projects?

20 A Correct -- oh, no, let me take that back.  
21 That is what is ex- -- excluded from the rate case.

22 Q Okay. Not just those -- not just those two  
23 projects, but all -- every project?

24 A (Examining document.)

25 CHAIRMAN BROWN: Mr. Woodcock?

1 THE WITNESS: I'm reviewing my testimony.

2 I -- I apologize.

3 Okay. I see what happened here. What is on  
4 Page 44, on Line 4, is the cost for Shadow Hills  
5 that I am recommending being excluded from the rate  
6 case. You are correct. And I am -- am incorrect.

7 BY MR. FRIEDMAN:

8 Q Okay.

9 A The change was meant to reflect that we are  
10 moving from one bucket to another, but that number  
11 that's on Line 4 on Page 44 is not the total of bucket  
12 number three.

13 Q So, the original four million is the number  
14 that should be there, and not the six million that you  
15 corrected to?

16 A The number that is there -- the four million  
17 is what I am -- recommended be excluded that's  
18 associated with Shadow Hills. And rather than -- we --  
19 we attempted to make this change here, but the  
20 difference from the projects being removed in bucket  
21 four should be reflected in bucket three. And we didn't  
22 do a good job presenting that.

23 Q All right. So -- so, the way your testimony  
24 is written, the 4,243,423 is the correct number for  
25 Shadow Hills?

1 A That should be excluded, correct.

2 CHAIRMAN BROWN: Okay. So, just want to be --  
3 just want to be clear because I'm a little confused  
4 right now.

5 THE WITNESS: I apologize.

6 CHAIRMAN BROWN: This Exhibit 285 has a  
7 revision from the 4.2 to 6.9. Are you saying that  
8 it should actually be 4.2?

9 THE WITNESS: It should remain 4.2 because  
10 that is referring to the Shadow Hills diversion  
11 project.

12 CHAIRMAN BROWN: Counsel?

13 MR. SAYLER: Madam Chair, during the course of  
14 the cross-examination -- yes, there was a -- an  
15 error. The testimony, as originally drafted -- the  
16 4.2 million and change is related to Shadow Hills  
17 and shouldn't change.

18 The changes to the removal of the three  
19 projects from the -- without cost justification --

20 CHAIRMAN BROWN: -- stay.

21 MR. SAYLER: They're still removed from the  
22 unsupported. It's just that they would go into  
23 this other bucket, but there was no --

24 CHAIRMAN BROWN: Could you file --

25 MR. SAYLER: -- total number.

1 CHAIRMAN BROWN: Could you file a corrected  
2 corrected version --

3 MR. SAYLER: Yes, ma'am, we will --

4 CHAIRMAN BROWN: -- please?

5 MR. SAYLER: We will certainly do that.

6 CHAIRMAN BROWN: Thank you.

7 COMMISSIONER GRAHAM: (Unintelligible.)

8 CHAIRMAN BROWN: Mr. Friedman, you are, in  
9 fact, a math genius.

10 THE WITNESS: Absolutely apologize.

11 MR. FRIEDMAN: Even a broken watch is correct  
12 twice a day.

13 (Laughter.)

14 BY MR. FRIEDMAN:

15 **Q In this -- the documentation that you received**  
16 **a little more than a week before you filed your**  
17 **testimony -- did you not make any effort to review that?**

18 A If it was -- if you're referring to the  
19 documentation that was made on February 25th, I did make  
20 an effort to review it. And I included those results in  
21 my testimony.

22 **Q Do you know where you reflected those new**  
23 **projects in your testimony?**

24 A Throughout -- the fact that the Shadow Hills  
25 discussion is in here comes from that February 25th set

1 of discovery that I received.

2 **Q But you left all of it out, correct?**

3 A No, I reviewed the -- the information. I  
4 didn't have enough time to, like, do an analysis on it,  
5 but -- but I did, you know --

6 **Q So -- so --**

7 A That body of information that came in on  
8 February 25th, to the extent that I had time to review  
9 it, is embedded within my testimony.

10 **Q And the extent to which you say you didn't**  
11 **have time to do it, you just ignored it?**

12 A I -- I didn't ignore it. I -- I looked at it,  
13 but I don't have enough -- I didn't have enough time to  
14 review Shadow Hills.

15 **Q And -- and have you reviewed it since then?**

16 A Not -- not in any depth, no.

17 **Q Have you reviewed any of the pro forma**  
18 **projects that you didn't get a chance to review before?**  
19 **Did you ever have -- have you had a chance, since then,**  
20 **to review those?**

21 A After the submission of my testimony, I  
22 reviewed the set of documents that came in on March 2nd,  
23 just at a cursory level just to see what was in there.

24 **Q But you haven't formed any opinion about**  
25 **whether the cost of those projects are reasonable or**

1     **not?**

2           A     I was able to, based on my cursory review --  
3     there was one project, which was PCF-9.  The -- the size  
4     of the project and the level of the documentation that  
5     was provided -- I was able to look at that and say, you  
6     know, yes, these are some reasonable costs.  And I made  
7     that response in discovery.

8           **Q     But you didn't make that change in your**  
9     **testimony.**

10          A     I did not.

11          **Q     Okay.  Even though you made other changes, you**  
12     **didn't make that one?**

13          A     I -- you're right; I did not.

14                   MR. FRIEDMAN:  Okay.  I have no further  
15     questions.

16                   CHAIRMAN BROWN:  Thank you.

17                   Staff?  Mr. Trierweiler?

18                   MR. TRIERWEILER:  May I indulge Madam Chair to  
19     get five, ten minutes?  We have some --

20                   CHAIRMAN BROWN:  Sure --

21                   MR. TRIERWEILER:  -- things to organize.

22                   CHAIRMAN BROWN:  This is a great time to take  
23     a break.  It's 4:25.  We'll be back here at 4:30.

24     We are in recess.

25                   (Brief recess.)

1 CHAIRMAN BROWN: All right. We are going back  
2 on the record now.

3 Staff, you've had an opportunity to distribute  
4 exhibit -- an exhibit. All right.

5 MR. TRIERWEILER: I would like to mention that  
6 we're going to also be referring back to  
7 Exhibits 285, 282, and 276 --

8 CHAIRMAN BROWN: Thank you.

9 MR. TRIERWEILER: -- in this cross.

10 CHAIRMAN BROWN: So, let's go ahead, though,  
11 and mark this exhibit that you distributed as 286.  
12 And that will be titled, OPC's response to UIF's  
13 first set of rogs, No. 6.

14 (Exhibit No. 286 marked for identification.)

15 MR. SAYLER: Madam Chair, I'm not sure if the  
16 witness has those other exhibits.

17 CHAIRMAN BROWN: I will be checking in one  
18 second.

19 Mr. Woodcock, do you have a copy of the  
20 exhibit that was just distributed, the handout?

21 THE WITNESS: Yes, I do.

22 CHAIRMAN BROWN: Thank you.

23 Everyone else have a copy?

24 MR. SAYLER: I -- I believe staff --

25 CHAIRMAN BROWN: Do you have a copy?

1 MR. SAYLER: Yes, I have a copy, but staff  
2 referenced some earlier exhibits that were marked  
3 for identification into the record. I don't  
4 know if he has a copy of that --

5 CHAIRMAN BROWN: Staff, have you distributed  
6 those copies as well to this witness when you  
7 distributed this copy of 286?

8 MR. SAYLER: And what were those exhibit  
9 numbers? I wasn't writing them down at the time.

10 CHAIRMAN BROWN: Mr. Trierweiler, can you  
11 please -- I think he said 285, 282.

12 MR. TRIERWEILER: And 276.

13 CHAIRMAN BROWN: Yes.

14 MR. SAYLER: Thank you, Madam Chair.

15 CHAIRMAN BROWN: And while you're distributing  
16 the exhibits to the witness, Mr. Trierweiler, you  
17 can tee up some questions now, please.

18 MR. TRIERWEILER: Thank you.

19 EXAMINATION

20 BY MR. TRIERWEILER:

21 Q Mr. Woodcock, I would like to direct your  
22 attention to what's been marked as 285. You have that  
23 in front of you, sir?

24 CHAIRMAN BROWN: Did you say 285 or 286, sir?

25 MR. TRIERWEILER: 285.

1 CHAIRMAN BROWN: Okay.

2 THE WITNESS: Where -- I've got this one page.

3 I'm sorry.

4 BY MR. TRIERWEILER:

5 Q Okay. That would be your changed or amended  
6 testimony.

7 A Ah. Okay.

8 Q Is that 285 -- all right.

9 Now, I would like to ask you, when you pulled  
10 these items from this pro forma list, what was the  
11 reasoning that you relied upon to remove PCF-20?

12 A PCF-20, the information that was provided on  
13 February 6th was actually one of those add-change forms,  
14 UIF's internal document, I believe, on the project. So,  
15 it's not that they failed to provide documentation.  
16 They did provide documentation, but it was still  
17 insufficient to support the costs.

18 Q Okay. Thank you.

19 Did you consider, when considering this pro  
20 forma project, after removing it from this list, the rog  
21 responses -- interrogatory responses received on  
22 March 2nd?

23 A I did not.

24 Q And why didn't you?

25 A Well, I -- I didn't have time to review the

1 March 2nd interrogatory responses for my testimony. So,  
2 to the extent that I found discovery that I missed that  
3 I should have had, I made a point to review the  
4 information and include it in my testimony through this  
5 revision.

6 Q Have you ever amended your testimony prior to  
7 this docket?

8 A I -- I'm sure I have in a previous rate  
9 proceeding.

10 Q Did you make a request to -- for an extension  
11 of time in order to respond to the March 2nd  
12 interrogatory responses that address these pro forma  
13 projects?

14 A I did not.

15 Q And why didn't you?

16 A I -- honestly, in my mind, March 6th was my  
17 deadline. I had already prepared by March 2nd most of  
18 my testimony.

19 Q Well, with that March 6th deadline, we still  
20 received an amendment to your testimony filed just  
21 yesterday; is that correct?

22 A Yes.

23 Q Okay. March 2nd, interrogatories were  
24 filed -- or you received them more than two months prior  
25 to this hearing; is that -- is that correct?

1           A     Yes, that is correct.

2           **Q     And what's the reason why you couldn't have**  
3 **reviewed the PCF-20 between March -- or March 2nd and**  
4 **the May 8th hearing?**

5           A     I had -- I have no outlet for providing any  
6 testimony on it.

7           **Q     Did you feel, for some reason, that the**  
8 **opportunity to amend your testimony was denied to you?**

9           A     Well, my testimony is submitted. The only  
10 revisions that I've done to my testimony is to -- an  
11 oversight that I had for discovery that was served way  
12 in advance of when my testimony was due.

13          **Q     You did testify that you did review one other**  
14 **project that occurred -- or that you received after this**  
15 **date; is that correct?**

16          A     What project was that?

17          **Q     That was No. 9, PCF-9.**

18          A     Oh, yes. Yes. I'm sorry. Yes.

19          **Q     Okay. And why did you select PCF-9?**

20          A     Actually, the way that came about is that I  
21 did a cursory review of the information that was made on  
22 March 2nd, after my testimony was filed. And the PCF-9  
23 is a pilot study for a reverse osmosis treatment study  
24 for Lake Utility Services.

25                   It was just engineering proposals to do the

1 work. I'm very familiar with RO pilot studies. And  
2 being an engineer and looking at these proposals, it was  
3 fairly easy for me at first glance and with not a lot of  
4 effort to see that these were valid and legitimate  
5 proposals. And that was -- that was -- it was good  
6 supporting documentation that I could -- I could get  
7 behind on a cursory glance.

8 **Q However, was it your testimony that, after a**  
9 **cursory glance, there was too much data, too-detailed**  
10 **information for you to get into and render an opinion?**

11 A With respect to PCF-9?

12 **Q Yes.**

13 A No. Once -- once again, I -- I was looking at  
14 information that was -- it was fairly easy to vet and  
15 verify. And I was able to provide that in response to  
16 discovery.

17 **Q And there weren't any other pro forma projects**  
18 **that information had arrived to you, as of March 2nd,**  
19 **that you found almost as easy to engage before this**  
20 **hearing?**

21 A This one was very unique in the fact that it  
22 was just engineering company proposals for RO pilot  
23 plant. It wasn't an engineering document and a bunch of  
24 bid forms and an agreement and then a ton of invoices.  
25 You know, it was plain and simple; two straight-up

1 engineering proposals, some of which, I've -- I've  
2 written very similar ones myself.

3 Q So, PCF-13 -- the Longwood Groves I&I  
4 remediation?

5 A Yes.

6 Q And what was your reason for not engaging in  
7 the discovery they provided you on March 2nd regarding  
8 that pro forma project?

9 A Once again, I would have had no way to provide  
10 testimony to be able to opine on it.

11 Q And once again -- and please -- please tell me  
12 if I -- if I'm misunderstanding you, but did you believe  
13 that there was some hindrance, some -- something that  
14 would prevent you from responding in a timely fashion,  
15 that is, before this hearing, to that discovery?

16 MR. SAYLER: Madam Chair, Public Counsel would  
17 like to object to this line of questioning. It  
18 sounds like staff is asking why Mr. Woodcock did  
19 not file supplemental testimony in this case,  
20 subsequent to his March 6th testimony, prior to  
21 this case.

22 And if you look at the order establishing  
23 procedure, there was not any other opportunities  
24 for Public Counsel to file additional testimony  
25 with the hearing dates being May -- May 8th through

1 this week. There wasn't any opportunities to ask  
2 for additional time to have new hearing dates. And  
3 so, we would object to this line of testimony -- or  
4 questions.

5 CHAIRMAN BROWN: Counsel?

6 MR. TRIERWEILER: Staff would respond that, on  
7 numerous occasions, OPC has requested to move back  
8 and to accommodate additional discovery, the number  
9 of rogs, the dates, delaying the depositions until  
10 just a week prior to this hearing.

11 And there was no request to accommodate this  
12 witness' inability -- unique inability to address  
13 the information that had been provided on  
14 March 2nd --

15 MR. SAYLER: Madam -- I'm sorry.

16 CHAIRMAN BROWN: Please let him finish.

17 MR. TRIERWEILER: -- a full two months prior  
18 to this hearing.

19 And -- and they have also filed a motion and  
20 intend -- and stated their intent to request  
21 reconsideration of a motion to strike these matters  
22 because there wasn't enough information to review  
23 the discovery that occurred way before rebuttal and  
24 certainly not that long after the MFRs were  
25 accepted and the -- the official filing was

1           accepted on November 22nd of the year.

2           CHAIRMAN BROWN:   Okay.

3           MR. FRIEDMAN:   Can I --

4           CHAIRMAN BROWN:   Mr. -- yes.

5           MR. FRIEDMAN:   Can I weigh --

6           CHAIRMAN BROWN:   Yes.

7           MR. FRIEDMAN:   I mean, I -- I think it's a  
8           little disingenuous when he actually reviewed  
9           documents, when he said he didn't have time. He  
10          realized he should have had time to do some. And  
11          he went back and looked at them, looked at four  
12          other ones and made changes to take them out of  
13          here.

14          And so -- and as he testified before, PCF-9  
15          is -- he's okay with it. But yet, when he filed  
16          his amended testimony, he didn't amend that part of  
17          it to say he was now okay with that.

18          And so, I think it's a little disingenuous to,  
19          all of a sudden say, oh, we had no way to amend our  
20          testimony, when, in fact, they've amended their  
21          testimony. He's just saying, I didn't want to look  
22          at -- at all the documents.

23          CHAIRMAN BROWN:   Thank you.

24          Mr. --

25          MR. SAYLER:   Madam Chair --

1 CHAIRMAN BROWN: Yes, Mr. Sayler.

2 MR. SAYLER: To reply to Mr. Friedman --

3 CHAIRMAN BROWN: Again, this is not oral  
4 argument right now.

5 MR. SAYLER: No. No.

6 CHAIRMAN BROWN: Okay? So, please be  
7 succinct.

8 MR. SAYLER: All right. With regard -- I  
9 believe the -- we understand what's going on as far  
10 as Mr. Friedman's comments.

11 Regarding staff's comments, the pre-hearing  
12 officer controls what the testimony filing dates  
13 were. We had an earlier testimony filing date. We  
14 petitioned the pre-hearing officer. And he  
15 graciously granted us almost ten days extension.

16 If he had gone back and petitioned for  
17 additional supplemental testimony, where in the  
18 schedule could we have done it? The utility would  
19 have needed additional opportunities to file  
20 surrebuttal to our supplemental testimony. And  
21 when and what time could we have done this?

22 Now, is this disingenuous from staff to say  
23 that things were coming in late after the -- the  
24 deadlines and we -- we object to -- we disagree  
25 vehemently with that.

1 CHAIRMAN BROWN: Okay.

2 MR. SAYLER: This -- this case was filed along  
3 the time line, and we did the best that we could.  
4 As far as not updating PFC-9, he admitted on the  
5 stand that that's fine. So, that's one of the  
6 projects he's approved.

7 So, we are concerned that this Commission  
8 staff is asking us, why didn't we file supplemental  
9 testimony to our original testimony.

10 CHAIRMAN BROWN: All right.

11 MR. SAYLER: Thank you.

12 CHAIRMAN BROWN: Before I turn to our -- our  
13 trusty legal counsel, Ms. Helton and Ms. Hetrick, I  
14 do just want to say -- state that, while I've  
15 afforded you and Office of Public Counsel an  
16 opportunity, wide latitude to cross-examine  
17 Mr. Flynn, I would also like to afford wide  
18 latitude to cross-examine Mr. Woodcock as well.

19 MR. SAYLER: Fair enough, Madam Chair.

20 CHAIRMAN BROWN: Okay. Ms. Helton, anything  
21 you would like to add?

22 MR. SAYLER: Then we withdraw our objection.  
23 Thank you.

24 CHAIRMAN BROWN: All right. Mr. Trierweiler,  
25 you can continue with your questions.

1 BY MR. TRIERWEILER:

2 Q I may come back to 285, but right now, I would  
3 like to go to what's been marked as 278 for  
4 identification. And that is OPC's response to UIF's  
5 first set of interrogatories, No. 6.

6 CHAIRMAN BROWN: Mr. Woodcock, do you have a  
7 copy of that in front of you?

8 THE WITNESS: I do.

9 MR. TRIERWEILER: Thank you.

10 CHAIRMAN BROWN: Wonderful.

11 BY MR. TRIERWEILER:

12 Q Let me direct your attention to the  
13 interrogatory in front of you, which states -- noting  
14 that: Mr. Woodcock stated he did not have time to  
15 review documents on pro forma projects that were  
16 submitted a week before his testimony was filed. Has he  
17 now done so.

18 Mr. Woodcock, have you had an opportunity to  
19 review that response?

20 A Yes.

21 Q And you adopt that response as your own?

22 A Yes.

23 Q Please read the second sentence.

24 A "Except for one project, PCF-9, Mr. Woodcock  
25 has not done enough of a review to change his

1 professional opinion described in his prefiled testimony  
2 and does not intend to do such a thorough review."

3 Q That's true that the March 2nd interrogatories  
4 arrived before you filed your -- your prefiled  
5 testimony; is that correct?

6 A Yes.

7 Q Please read the next sentence to us.

8 A "UIF provided little or no documentation for  
9 the subparts identified in this interrogatory" -- oh,  
10 I'm sorry. I started at -- in this direct -- in its  
11 direct case, UIF provided little or no documentation for  
12 the subparts identified in this interrogatory."

13 Q And I would like you to read the last sentence  
14 in that response, please.

15 A "Mr. Woodcock believes UIF should have  
16 provided this documentation when it filed this rate  
17 case.

18 Q And it's this belief that I would like to  
19 explore, now. Is it your testimony that this Commission  
20 should disregard any updates beyond the items filed in  
21 the direct testimony concerning pro forma projects?

22 A It's my opinion that if I'm going to be  
23 opining on pro forma projects, and I have a deadline by  
24 which my testimony is due, that my opportunity to  
25 provide an opinion and an analysis as a -- as a

1 professional and as a witness, is limited to that time  
2 frame.

3 Q And what's the basis for this opinion of yours  
4 as to what the Commission should consider and not  
5 consider?

6 A Well, I'm rendering an opinion. And in this  
7 proceeding, you know, my opinion is my direct testimony.  
8 I don't get a rebuttal or a -- however, I'm afraid I'm  
9 not familiar with all of the procedures. But my  
10 understanding is this is -- this is my shot. This is my  
11 one chance to review everything and provide my opinion.

12 Q The first sentence in your response is, "No  
13 thorough review was performed." Can you describe, other  
14 than in terms of a date close to the due date of your  
15 testimony, any reasons for disregarding updated pro  
16 forma data that had been provided to you?

17 A Can you -- can you repeat the question?

18 Q Sure. For -- for reasons other than it was --  
19 it was close to when -- when you were coming up on your  
20 due date to provide your testimony, the original  
21 deadline, is there some other reason for disregarding  
22 the updated pro forma information that had been provided  
23 to you?

24 A No.

25 Q Do you describe in your testimony the various

1 pro forma projects for which you disregarded pro forma  
2 data, updates, that have been provided to you?

3 A In my --

4 Q Do you -- do you describe them in your  
5 testimony?

6 A I'm not quite sure what you're asking.

7 Q Clearly, you had access to the March 2nd,  
8 2017, information; is that correct?

9 A Correct.

10 Q Do you describe in your testimony why you  
11 choose to disregard the updated information provided on  
12 March 2nd?

13 A I'm -- I'm pretty sure that I mentioned it in  
14 my testimony, yes.

15 Q Did you describe it in detail for each pro  
16 forma project why you disregarded it?

17 A No, I believe it was -- I -- let me turn to it  
18 (examining document). On Page 45 is my response, I  
19 believe, to your question.

20 Q Would you please read that?

21 A UIF's response to staff's seven set of  
22 interrogatories, No. 179, served to OPC and staff on  
23 March 2nd, 2017, four days before the intervenor  
24 testimony deadline, contains eight amended exhibits to  
25 Mr. Flynn's testimony: Exhibits PCF-1, 9, 13, 17, 20,

1 27, 33, and 34. There was no opportunity to verify any  
2 information in the amended exhibits, conduct discovery,  
3 or adequately review all of the documents.

4 In order to incorporate all of the pro forma  
5 projects into rate base and requested revenue  
6 requirement, UIF had the -- UIF had the burden to  
7 demonstrate the reasonableness of the costs when it  
8 filed its MFRs, direct testimony, and exhibits.

9 UIF clearly failed to provide the necessary  
10 support for the reasonableness of all its requested pro  
11 forma projects at the time of its initial filing in  
12 August or even by the time its MFR deficiencies were  
13 cured in December. It is unreasonable to inject such  
14 late rate -- such late information into this rate case  
15 with no time for review.

16 **Q Wouldn't you agree that that statement just**  
17 **suggested that all of the pro forma updates for its**  
18 **projects was due on November 22nd when their MFRs**  
19 **were -- had been updated, the deficiencies cured, and**  
20 **the official filing had been accepted?**

21 **A I'm certainly of the opinion that that's where**  
22 **you put your best case forward.**

23 **Q Are you aware of any support for the argument**  
24 **that the utility is limited to what it put forward in**  
25 **its best case in the filing of its MFRs and direct**

1 **testimony?**

2 A I -- I am not.

3 **Q And yet, you still hold to the belief that**  
4 **they should be held to that standard?**

5 A I'm rendering an opinion on information that  
6 has been provided to me. And if that information is  
7 provided at the last minute and I'm unable to do a  
8 review to the extent that I need to to form an opinion  
9 and do written testimony, then I -- I can't form an  
10 opinion on it. I don't have the time.

11 **Q All right. Then that sounds like a self-**  
12 **imposed decision on what -- on what you could consider**  
13 **and could not?**

14 A If there was extensions or if there was other  
15 time, I -- I've got to render an opinion on something.

16 **Q And it's already --**

17 A And I --

18 **Q You're -- I'm sorry.**

19 A And -- and I need to see the information and I  
20 need time to review it and form an opinion.

21 MR. TRIERWEILER: One moment to confer,  
22 please.

23 Thank you. I have nothing further.

24 CHAIRMAN BROWN: Thank you.

25 Commissioners, any questions for Mr. Woodcock?

1 No?

2 All right. Redirect?

3 MR. SAYLER: Thank you, Madam Chair. I'll try  
4 to be as brief as possible. And I'll go in reverse  
5 order.

6 EXAMINATION

7 BY MR. SAYLER:

8 Q Do you remember the last question from Counsel  
9 about self-imposed deadlines?

10 A Yes.

11 Q Now, when it comes to filing your testimony,  
12 was it just your testimony alone or did the outputs from  
13 your testimony affect anybody else's testimony?

14 A Yeah, my testimony feeds directly into a  
15 Ms. Ramas' testimony.

16 Q And do you know what effect -- or how much  
17 work it takes to actually run all the -- rerun all the  
18 schedules of Ms. Ramas' testimony?

19 A I'm afraid I don't.

20 Q And you've heard earlier in this proceeding  
21 that the March 2nd information came in after 5:30 p.m.  
22 on March 2nd, correct?

23 A I did hear that.

24 Q All right. And do you know when you were able  
25 to first review that testimony from March 2nd -- or

1       **excuse me -- that -- that additional discovery**  
2       **information on March 2nd?**

3           A       I don't recall when I first looked at it.

4           Q       **And you would agree that was less than 98**  
5       **hours --**

6           MR. FRIEDMAN:   Leading question.

7           MR. SAYLER:   All right.

8       BY MR. SAYLER:

9           Q       **Mathematically speaking, four days is how many**  
10       **hours until your testimony was due?**

11          A       96.

12          MR. SAYLER:   All right.

13          Thank you, Chairman.

14          (Laughter.)

15       BY MR. SAYLER:

16          Q       **And do you recall answering a question to --**  
17       **to staff that you could not think of any other reason**  
18       **why you did not -- other than you didn't have time to**  
19       **review -- do you recall being asked that question?**

20          A       Yes.

21          Q       **And -- and -- oh, sorry. You just answered**  
22       **that question related to Ms. -- how -- the effect of**  
23       **your testimony of Ms. Ramas' testimony -- I mean, they**  
24       **were traveling together, correct?**

25          A       Correct.

1           Q     Do you remember being asked a question about  
2 your response to Interrogatory No. 6 --

3           A     Yes.

4           Q     -- where it states, "No thorough review was  
5 performed"?

6           A     Correct.

7           Q     Would you please describe all the steps that  
8 are necessary to conduct a thorough review?

9           A     Well, it -- it depends on the project. Like,  
10 with PCF-9, there was -- it was just engineering  
11 proposals. It was something that was fairly simple  
12 contained, and I had very good familiarity with and  
13 something I could look at and evaluate quickly.

14                     If we're looking at construction projects that  
15 are long-term, large-scale, big dollars, there's a lot  
16 of review that has to go through it. No. 1, you need to  
17 make sure that, you know, is there sufficient  
18 information there, does it have the bid forms, does it  
19 have the agreement, does it meet the basic test.

20                     And then you have to start piecing it  
21 together. None of the information that was received  
22 kind of had a cover sheet that would kind of link you  
23 and make this information easy to review.

24                     There was reams and reams of invoices. There  
25 was, you know, project-bid forms. And in a lot of

1 cases, there were multiple contractors. So, not only  
2 were you dealing with, you know, one set of bids and one  
3 agreement, but were also dealing with, you know, two or  
4 maybe three.

5 There were a lot of direct material purchases  
6 and invoices directly from suppliers that also had to be  
7 worked into the mix. And these invoices could -- could  
8 be several pages long. So, when it comes to looking at  
9 all of the supporting documentation and trying to put  
10 together -- you know, for some of these exhibits, it was  
11 quite extensive, quite a few hours.

12 **Q And for the Shadow Hills diversion project**  
13 **that, I believe, you testified came in on February 25th,**  
14 **as well as, again, on March 2nd, given the magnitude of**  
15 **change, would you have needed additional discovery or --**  
16 **on that or what would you have done?**

17 A Abs- -- absolutely. That project -- I mean,  
18 in the original filing and right up on through the 25th,  
19 you know, all we had was an engineer's preliminary  
20 engineering operating report, not sufficient.

21 When I made my site review, I actually looked  
22 at the Longwood treatment plan. We went out to the Des  
23 Pinar -- I can't remember the guy's name that was with  
24 me. He talked about a building and generator and stuff  
25 that was going out there, but I hadn't actually seen any

1 of that.

2 The discovery that we received on  
3 February 25th were actually -- was actually in response  
4 to my inspections to try and ferret some of that  
5 information out.

6 And then what I got was a completely different  
7 force-main route. I had all of these extra projects in  
8 there. Five different contractors were on board. The  
9 cost had increased by 88 percent, I believe I have in my  
10 testimony. There was just a lot that had gone on there  
11 that I simply did not have time to -- to thoroughly  
12 review and vet.

13 **Q And on your inspection, did any Public Service**  
14 **Commission engineering staff accompany you on those?**

15 A No. It was just me and Utilities, Inc.  
16 personnel.

17 **Q And other than yours and Mr. Flynn's**  
18 **testimony, was there any other engineering testimony**  
19 **filed in this case?**

20 A No.

21 **Q And in the order establishing procedure and**  
22 **the amended orders, were there additional testimony**  
23 **filing dates for responsive --**

24 A Not for me.

25 **Q -- intervenor testimony? No?**

1 A Not for me.

2 Q And do you know what prompted Public Counsel's  
3 request to file -- request the -- the first extension of  
4 time to file testimony?

5 A I -- I only generally know that it was because  
6 the discovery kept continuing to come in and continually  
7 supplementing -- at least that's my perception.

8 Q Okay. And when we retained you for this case,  
9 you blocked out this week to provide testimony, correct?

10 A Correct.

11 Q And you already have other obligations where  
12 your schedule next week and later on is already  
13 obligated, correct?

14 A Correct.

15 Q So --

16 CHAIRMAN BROWN: Don't worry. We're not going  
17 next week.

18 (Laughter.)

19 MR. SAYLER: No, we'll be done this week,  
20 Madam Chair.

21 BY MR. SAYLER:

22 Q But what effect would it have had on you had  
23 the hearing dates changed?

24 A Well, if you had more time -- obviously, if I  
25 had more time in my -- to put my testimony together and

1 formulate an opinion as this new information rolled in,  
2 I could have incorporated it.

3 Q And I believe you were asked some questions by  
4 Mr. Friedman about the February 25th and March 2nd  
5 deadlines -- about why you didn't conduct any further  
6 discovery on any of those projects. Do you remember  
7 those questions?

8 A Yes.

9 Q And why didn't you conduct any additional  
10 discovery?

11 A Well, I had no -- once again, I had no  
12 opportunity to opine on it. I have my -- you know,  
13 my testimony and, you know, anything that I have in and  
14 I have available, this is -- this is my shot to -- to  
15 put my -- my opinion forward.

16 Q And what was the turnaround time for discovery  
17 in this case, in the direct case?

18 A I believe it was 20 days.

19 Q So, if you had sent out discovery on  
20 February 26th and March 3rd, when would those -- those  
21 responses have come in?

22 A I guess mid- -- mid-March.

23 Q All right.

24 A Third week of March.

25 Q But after your testimony filing date, correct?

1 A Yes.

2 Q Do you recall being asked a question about any  
3 Public Service Commission order that's accepted your  
4 methodology related to only giving the utility what it  
5 asked for in its original case?

6 A Yes.

7 Q And -- and when Public Counsel retains you, do  
8 we retain you for proposed agency-action cases or only  
9 for cases going to hearing?

10 A Only cases going to hearing, that I can  
11 remember.

12 Q And to your knowledge, what difference is  
13 any -- is there any difference between a proposed  
14 agency-action proceeding and a full evidentiary hearing?

15 MR. TRIERWEILER: Objection. Relevance.

16 CHAIRMAN BROWN: Objection sustained.

17 BY MR. SAYLER:

18 Q All right. You were asked questions about, to  
19 your knowledge, do you know of any orders where the  
20 Public Service Commission has authorized a utility more  
21 than what it asked for in its direct testimony, in its  
22 case. Do you recall that?

23 A Yes.

24 MR. FRIEDMAN: Mis- -- mischaracterizes the  
25 question I asked.

1 CHAIRMAN BROWN: He already answered.

2 BY MR. SAYLER:

3 Q And to your knowledge, are there any orders  
4 that allow a utility to do that?

5 A Not that I'm aware of.

6 Q Now, if the Commission goes with your  
7 recommendation that the utility only gets up to what it  
8 requested for each individual pro forma project,  
9 hypothetically -- or excuse me.

10 Hypothetically, if the Commission authorized  
11 this utility only up to what they originally requested,  
12 what are the other opportunities or venues that this  
13 utility has to seek recovery for those costs not allowed  
14 in this case?

15 MR. FRIEDMAN: Objection to relevance.

16 CHAIRMAN BROWN: Mr. Sayler?

17 MR. SAYLER: Madam Chair, he was -- or let me  
18 ask you -- let me back up.

19 BY MR. SAYLER:

20 Q Do you recall being asked questions about your  
21 methodology, which is -- the utility cannot receive more  
22 than what it originally asked for, correct?

23 A Correct.

24 Q And in certain instances, you authorized --  
25 you said, if they proved up less than what they got,

1 they got the lesser, correct?

2 A Correct.

3 Q And if they provided information that you  
4 thought was sufficient, but was more than what they  
5 originally asked for, you just give them what they asked  
6 for in their original testimony, correct?

7 A Correct.

8 Q All right. That's laying the foundation for  
9 the question is -- and if the Commission only -- if the  
10 Commission follows your methodology and only gives them  
11 what they asked for in their actual original testimony  
12 and exhibits in the direct case, what other avenues does  
13 the utility have for recovering those costs that they --  
14 those extra costs that are outside of what they  
15 originally ask for?

16 A Oh, I think another rate case would be the  
17 easy answer to that. I don't know if there are other  
18 ones.

19 Q Okay. Now, we're going to move from pro forma  
20 to used-and-useful. You were are asked some questions  
21 about the last proposed agency action Sandalhaven order.  
22 Do you recall that?

23 A Yes.

24 (Transcript continues in sequence in Volume  
25 5.)

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## CERTIFICATE OF REPORTER

STATE OF FLORIDA )  
COUNTY OF LEON )

I, ANDREA KOMARIDIS, Court Reporter, do hereby  
certify that the foregoing proceeding was heard at the  
time and place herein stated.

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

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

DATED THIS 12th day of May, 2017.



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ANDREA KOMARIDIS  
NOTARY PUBLIC  
COMMISSION #GG060963  
EXPIRES February 9, 2021