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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

UNDOCKETED

IN RE: EXAMINE REGULATORY POLICIES  
AND PRACTICES IN THE WATER AND WASTEWATER  
INDUSTRIES IN FLORIDA.

PROCEEDINGS: COMMISSION WORKSHOP

COMMISSION STAFF  
PARTICIPATING: DOUGLAS SUNSHINE  
MARK CICCHETTI  
BART FLETCHER  
CLAYTON LEWIS

PROCEEDINGS: COMMISSION WORKSHOP

DATE: Wednesday, February 1, 2023

TIME: Commenced: 9:30 a.m.  
Concluded: 3:45 p.m.

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

REPORTED BY: DEBRA R. KRICK  
Court Reporter

PREMIER REPORTING  
112 W. 5TH AVENUE  
TALLAHASSEE, FLORIDA  
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## 1 A P P E A R A N C E S

2

LILA JABER and APRIL BALLOU  
3 National Association of Water Companies

4

MARTY FRIEDMAN  
Florida Community Water Systems, U.S. Water, and  
5 Sunshine Water Services

6

SUSAN CLARK  
JOSIAH COX  
7 Central States Water Systems

8

RON BRISÉ  
MICHAEL CARTIN  
9 Southwest Water Company

10

TROY RENDELL  
U.S. Water Services Corporation

11

JARED DEASON  
12 Sunshine Water Services

13

Michael Smallridge  
Florida Utility Services

14

GARY WILLIAMS  
15 Florida Rural Water Association

16

CHARLES REHWINKEL  
MARSHALL WILLIS  
17 Office of Public Counsel

18

19

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21 PSC STAFF:

22

DOUGLAS SUNSHINE  
MARK CICCHETTI  
23 BART FLETCHER  
CLAYTON LEWIS

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1 P R O C E E D I N G S

2 MR. SUNSHINE: Good morning. My name is Doug  
3 Sunshine with Commission legal staff.

4 Pursuant to notice, this time and place has  
5 been set for an undocketed staff workshop to  
6 examine the Commission's regulatory policies and  
7 practices in the water and wastewater industries in  
8 Florida. The following topics will be discussed  
9 during this workshop: Acquisition adjustments.  
10 Allowed return on equity. Used and useful  
11 adjustments. System consolidation and cost  
12 recovery mechanisms to facilitate recovery of  
13 urgently needed or environmental compliance  
14 improvements.

15 Participants are encouraged to present for  
16 discussion proposals for new policies and  
17 practices.

18 All notices and presentation materials for  
19 today's workshop are posted on the Commission's  
20 website under the Hot Topics heading on the main  
21 page.

22 Before we begin, I would like to note that we  
23 have elected to have a court reporter present for  
24 this workshop, and a transcript will be published  
25 once received.

1           Additionally, the video recording will be  
2           available for viewing on the Commission website by  
3           clicking the watch live and archived PSC events  
4           heading on the home page, and then navigating to or  
5           entering a search query for undocketed WAW  
6           Industries Workshop. You may contact the  
7           Commission or reach out to me directly if you have  
8           any difficulty finding the video recording of the  
9           workshop.

10           I will now ask the various divisions of  
11           Commission staff to introduce themselves and who  
12           they have in attendance today.

13           On behalf of legal staff, myself, Doug  
14           Sunshine.

15           For accounting and finance staff?

16           MR. CICCHETTI: Good morning, everyone. I am  
17           Mark Cicchetti, Assistant Director in the Division  
18           of Accounting and Finance.

19           MR. FLETCHER: I am Bart Fletcher in the  
20           Division of Accounting and Finance with the Bureau  
21           of Surveillance and Rate Filings.

22           MR. LEWIS: My name is Clayton Lewis, and I am  
23           representing engineering staff.

24           MR. SUNSHINE: And did I miss anyone on staff  
25           that is in attendance that would like to introduce

1           themselves?

2           Okay. At this time, I would like to let  
3 everyone know how today's staff workshop will be  
4 structured.

5           There will be a formal presentation by the  
6 National Association of Water Companies, which  
7 submitted presentation materials that can be  
8 accessed via or home page at  
9 <https://www.floridapsc.com>, under the topic -- the  
10 Hot Topics heading.

11          After the formal presentation, participants  
12 wishing to make an informal introduction will be  
13 given 10 minutes each to do so.

14          After all introductions are made, staff will  
15 proceed to the question and answer portion of the  
16 agenda by opening the discussion for agenda Items 2  
17 through 7., asking at the end of each agenda item  
18 for input specific to the topic.

19          As we work through the agenda items, please  
20 limit your comments to those directly specific to  
21 the relative agenda item. Participants will be  
22 given the opportunity during agenda Item No. 8,  
23 Other Topics for Discussion, which we have reserved  
24 for any proposals for new policies or practices  
25 that participants would like to discuss.

1           Now, before I turn it over to staff for the Q  
2           -- question and answer portion of the agenda, I  
3           would like to mention a few procedural matters for  
4           today's staff workshop.

5           First, I have a few notes about timing. We  
6           are scheduled from 9:30 to 5:00 p.m. this  
7           afternoon. We will determine, you know, how far we  
8           get into the agenda from the standpoint of whether  
9           we will take a lunch break, and so we will have to  
10          play that by ear, but we will plan to take a short  
11          comfort break at about the two-hour mark if  
12          necessary, and we hope to receive everyone's  
13          comments and finish by five o'clock tonight.

14          At this point, we are not imposing time limits  
15          on comments. However, we may need to revisit that  
16          issue later today, depending on how quickly we move  
17          through the agenda. We ask that speakers please be  
18          mindful of their fellow participants' time and  
19          opportunity to provide comments.

20          Additionally, as there is a court reporter,  
21          please use a microphone and introduce yourself  
22          before speaking, and be mindful not to talk over  
23          anyone as it prevents a proper transcription from  
24          being made.

25          Please note that there will be an opportunity

1 to file postworkshop comments, and we will provide  
2 details prior to adjourning the workshop.

3 Does anyone have any questions at this point  
4 before I hand it over to Mr. Cicchetti for his  
5 comments.

6 MR. REHWINKEL: Doug, Charles Rehwinkel with  
7 the Public Counsel.

8 MR. SUNSHINE: Yes, Charles.

9 MR. REHWINKEL: Do you have a preset time  
10 where you are going to be asking for workshop --  
11 postworkshop comments?

12 MR. SUNSHINE: Right now we are -- we are  
13 contemplating three weeks from today.

14 MR. REHWINKEL: I just -- I want to say  
15 something at the outset as a procedural matter.

16 This -- this workshop came with a notice that  
17 had an agenda set out, and it was sparked by a  
18 comment from a Commissioner -- Commissioners asking  
19 that we revisit this, and it seems like -- I just  
20 would caution that if all these folks have all  
21 these comments to make, that three weeks sort of  
22 seems rushed to us to change a policy that's been  
23 in place for a long time. And the last time was  
24 revisited, it took a year to do this. So I don't  
25 think there should be a rush on this. This is my



1           comments, but I am trying to understand how this is  
2           going to interact with the next step, so --

3           MR. CICCHETTI:   How much time would you need?

4           MR. REHWINKEL:   It was going to depend on what  
5           we hear here today, you know.  I mean, the breadth  
6           -- the breadth of this outline here is much greater  
7           than what the Commissioners asked us to do when we  
8           came together here today.  This thing has expanded  
9           exponentially.  So there is a perception on our  
10          part that there is some artificial need to rush  
11          this, when this is something that should be very  
12          comprehensively looked at.

13          And I will address this in my comments.  I am  
14          not trying to get ahead of things, but I just  
15          perceived some sort of rush if there is going to be  
16          a quick turn and are around on comments.

17          MR. CICCHETTI:   Okay.  We can address this at  
18          this end --

19          MR. REHWINKEL:   Thanks.

20          MR. CICCHETTI:   -- and ask for your input.

21          MR. SUNSHINE:    Okay, Mark.

22          MR. CICCHETTI:   Okay.  Good morning, everyone.  
23          Welcome to the Florida Public Service Commission  
24          staff workshop to examine regulatory policies and  
25          practices in the water and wastewater industry.

1           We have some special guests with us this  
2 morning that I would like to recognize former  
3 Commissioner Lila Jaber. Ms. Jaber, if you could  
4 just waive. Former Commissioner Susan Clark.  
5 Former Commissioner Ron Brisé, and newly appointed  
6 Interim Public Counsel, Mr. Charles Rehwinkel.  
7 Thank you all for being here, and we look forward  
8 to your contributions this morning.

9           We, at staff, are very excited about the  
10 opportunity we have before us this morning. Water  
11 is a unique commodity. There is no substitute for  
12 water and Florida is the third largest state, and  
13 the fastest growing state in the nation, and a  
14 substantial amount of water and water -- water and  
15 wastewater infrastructure is going to be necessary  
16 to meet that growth.

17           Additionally, there is substantial  
18 infrastructure in the ground that is at or near its  
19 useful life, and will be needed to be repaired or  
20 replaced. Consequently, the Commission has  
21 directed staff to hold this workshop to examine the  
22 Commission's policies and practices to see if there  
23 is ways that we can promote investment in this  
24 infrastructure, and improve the quality of service  
25 while ensuring reasonable rates for the citizens of

1 Florida.

2 There are a few things I would like to touch  
3 on. We are looking for a robust discussion. So  
4 please do not hesitate to share your ideas,  
5 thoughts and questions. Not that we have any lack  
6 of Type A personalities in the room.

7 We have the court reporter, so the first time  
8 you speak, please identify yourself and your  
9 organization, and any subsequent time you can just  
10 identify yourself.

11 Please speak directly into the microphone,  
12 because if you turn your head away from the  
13 microphone, the microphone will not pick up your  
14 voice.

15 Also, if you are not sitting at a microphone,  
16 you will need to come up to the podium. And please  
17 do not be shy about coming up to the podium,  
18 because the Commission wants to hear what you have  
19 to say. And don't hesitate to form a line behind  
20 someone at the podium, because that might help  
21 speed up the process.

22 So before I turn it over to Ms. Jaber, I want  
23 to say, again, on behalf of the Florida Public  
24 Service Commission, thank you for being here and  
25 welcome.

1 Ms. Jaber, the floor is yours.

2 MS. JABER: Thank you. Good morning.

3 So it's Lila Jaber and April Ballou on behalf  
4 of the National Association of Water Companies.  
5 And, Mr. Cicchetti, we will do our very best to be  
6 efficient with our tag-teaming, because we are  
7 sensitive to your desire to move this along  
8 quickly.

9 So just a couple of things to give some  
10 context to what you are about to hear.

11 First, it's, frankly, applauding you, the  
12 Commission, and everyone around this room for  
13 willing -- being willing to take a holistic view of  
14 the state of the industry at the moment, and  
15 looking at solutions that can move, not just the  
16 industry forward but, most importantly, the  
17 customers forward. So we applaud you for that.

18 And the second thing is I appreciate the  
19 acknowledgment about my being a former  
20 Commissioner. But really, today, I want to share  
21 with you that I am thrilled to be representing  
22 NAWC. But personally, this is important to me,  
23 because I was actually the Bureau Chief of the  
24 water and wastewater legal division, when we lived  
25 through the history of the crisis associated with

1 the mom and pop utilities that came from a  
2 development-owned strategy.

3 If Florida had a development that was going  
4 under construction, no utility was around, so the  
5 developer became a utility. Well, when I first  
6 joined the legal department, I inherited the cases  
7 that no one wanted. I inherited the abandonments  
8 and the receiverships. And my first entree into  
9 the court system was to actually go and represent  
10 the Public Service Commission in a receivership  
11 case.

12 And it was also in my watch, and in my time,  
13 where we had to revoke a certificate of a small  
14 utility because he was threatening to poison the  
15 customers, the water of the customers. And I will  
16 never forget it, Shady Oaks, Pasco County.

17 So you see, when I look at the notice today,  
18 and when I consider the status of the water and  
19 wastewater industry, my biggest fear as a Floridian  
20 is that we go backwards and not forward. And so  
21 it's with that context that it's my great pleasure  
22 to introduce you to April Ballou. She's going to  
23 help us get started with the presentation with an  
24 explanation of who NAWC is, and how we serve as a  
25 resource around the country.

1 MS. BALLOU: Thank you, Lila.

2 And I would like to echo Lila's sentiments.  
3 Thank you to staff organizing this workshop. These  
4 issues are so important. And I appreciate NAWC  
5 being able to be involved in this.

6 I am going to start out just telling you a  
7 little bit about NAWC, if you wouldn't mind going  
8 to the next slide.

9 So we are a 127-year-old trade association  
10 that represents water and wastewater utilities  
11 across the nation. We do have a national  
12 footprint, as you can see on the right, is NAWC's  
13 executive committee, which comes from everywhere  
14 from California to Pennsylvania to Connecticut.  
15 And our members are -- range from large members  
16 that operate in multiple states across the nation,  
17 to very small water utilities.

18 And just by way of background on me, and our  
19 President and CEO, Rob Powelson. I was a former  
20 staffer at the Pennsylvania Commission, so I have  
21 sat in your seat before. And Rob Powelson was a  
22 Former Chair of the Pennsylvania Commission, so I  
23 know about the important work you do, and the  
24 challenges you face and the things you have to  
25 balance.

1           Next slide.

2           Just a little background about the water  
3 industry. I'm sure many of you know this, but  
4 water is so unique and different from the gas and  
5 electric industry. It is the only utility service  
6 that's ingested, which our members never forget.  
7 And that means that we really have to take water  
8 quality and safety very seriously. There is really  
9 no room for error.

10           And oftentimes, water is a utility service  
11 that's taken for granted. Everyone just expects to  
12 turn on the faucet and have safe, reliable water  
13 come out. But customers have high expectations for  
14 this water, and they should, because it's on  
15 important to their health, and to their safety.  
16 And not only that, it's important for fire  
17 protection, and just for the functioning of our  
18 economy. So it's a really important resource.

19           Something that's also unique about the water  
20 industry is that the majority of water utilities  
21 are publicly owned. So private water utilities are  
22 really only a small portion of the water industry.  
23 And this creates kind of unique patchwork for  
24 regulation, because private utilities are  
25 regulated, as you all know for the PSC, but the

1           publics are not, so that can create a bit of a  
2           confusing system for customers about publicly  
3           versus privately owned, and who is regulated and  
4           who isn't.

5           And Lila is going to next talk about a few of  
6           the challenges that the water industry faced.

7           MS. JABER: So many -- thank you, Mike. Next  
8           slide.

9           So many of these challenges, this is not the  
10          first time you have heard about them. If you are  
11          watching the news -- which I know you are -- then  
12          would you have heard -- it's hard to believe two  
13          years ago Oldsmar municipal in the Pinellas County  
14          area, I guess Oldsmar is, the -- there was a  
15          cybersecurity threat coming through the  
16          technological systems, the computer systems. And  
17          thankfully, a very alert employee happened to catch  
18          it before the lye levels in the water were  
19          threatened. And, you know, crisis avoided.

20          There were a few -- if you look the news since  
21          then, there has been great concern on behalf of our  
22          state leaders that, you know, who's watching the  
23          shop, right? With our smallest systems, who is  
24          really experienced enough to catch those things  
25          before they are happening? And are we dropping the



1 ball with regard to any cybersecurity threats that  
2 come to the water industry?

3 Aging infrastructure -- actually in preparing  
4 for this, and I am embarrassed I didn't catch it  
5 before. I actually happened to find it this  
6 morning. I would have included it, Mr. Cicchetti,  
7 in the presentation. But the Office of Economic  
8 and Demographic Research is an office within the  
9 Legislature. It's an arm of the Legislature. And  
10 they do an annual assessment of Florida's resources  
11 and conservation lands. There is a paragraph in  
12 there -- and I am happy to provide this to you  
13 after-the-fact -- but there is a paragraph in -- on  
14 page three that really caught my attention. And if  
15 you bear with me, it will get through many of these  
16 bullet points.

17 Expenditures necessary to replace, maintain  
18 and Florida's aging infrastructure over the next  
19 decade will reach tens of billions of dollars  
20 statewide. The U.S. EPA's most recent drinking  
21 water, wastewater and stormwater 20-year survey  
22 based estimates for Florida to total \$44.3 billion  
23 after adjusting for inflation. The surveys only  
24 include capital investment needs, so Florida state,  
25 regional and local governments, and its public and

1 private utilities, will likely spend far more in  
2 total.

3 Similar to the work under way in other states,  
4 more research is needed to fully identify all of  
5 Florida's infrastructure needs. A key policy  
6 question arises. Once they have been identified,  
7 what is the state's role in addressing these  
8 infrastructure costs?

9 I really couldn't have said the concern better  
10 than that. And as I said, I am happy to provide a  
11 copy of this to anyone who would like it. It's  
12 available on the web as well.

13 That really sums it up. We know we cannot put  
14 blinders on and forget that these developments, as  
15 they've aged, so have the utilities.

16 Go back to water history in Florida.  
17 Developments popping in all over the -- all over  
18 the state as our state has grown, with utilities  
19 that have had to be constructed to serve those  
20 developments. As the developments age, so have  
21 those utilities. Which means many of those  
22 utilities are still run by a family-owned  
23 operation.

24 That kind of assessment is necessary to think  
25 about your long-term vision for how you regulate

1 water and wastewater. And you will hear us harp on  
2 a single Best Practice -- we are going to talk  
3 about a lot of Best Practices in our -- in our  
4 presentation, but perhaps the single most Best  
5 Practice is -- is consolidation.

6 Now, how you get there, right? The devil is  
7 in the details. But consultation from EPA  
8 stressing the need for consolidation, to our sister  
9 agencies in the state, to, frankly, past  
10 commissions, consolidation is a great way to  
11 industry fragmentation. It's a great way to  
12 address sick utilities. It's a great way to get  
13 ahead of the creation of troubled utilities. And  
14 it's a great way to capture economies of scale,  
15 which, in the long-term, is a Best Practice on  
16 behalf of serving the customers.

17 One of the things that we've got to understand  
18 in the regulation of water and wastewater, it's a  
19 long game. It is a long game. You cannot look at  
20 any one circumstance and think that there is a  
21 short-term solution and be singularly focused on  
22 what the immediate rate is. Instead, the long game  
23 is what's in the best interest of the customer?  
24 How do we address what the customer needs are going  
25 forward? And how do we address affordability?

1 Which we will talk about again.

2 Next slide.

3 This is repetitive, so we will speed through  
4 it. It's heavily documented that the water  
5 industry is highly capital intensive. It's a  
6 rising cost industry combined with a lag time in  
7 terms of depreciation. It's not the most  
8 attractive industry to Wall Street either.

9 So when we take everything I just said, and we  
10 combine the three slides that we've just discussed,  
11 so from an organizational perspective, from an NAWC  
12 perspective, what is it that we can do at a  
13 national level to help state commissions and the  
14 industry as a whole try get ahead of these issues?

15 MS. BALLOU: Thanks, Lila.

16 Next slide.

17 And this is something that --

18 MS. JABER: Next slide, Mike.

19 MS. BALLOU: Yeah, next slide, please.

20 So at NAWC, we are fully aware of all of these  
21 challenges. We have all heard these challenges  
22 that Lila went over on the last slide that the  
23 water industry is facing. So what do we do about  
24 it?

25 NAWC developed has these five priorities that

1 are kind of our guiding star that help our members,  
2 what we focus on to be ready to address the  
3 challenges that we talked about. And the first is  
4 water equity.

5 Next slide, please.

6 So water equity, that term can vary depending  
7 on who uses it and who -- who's talking about water  
8 equity. So NAWC's definition of water equity is  
9 that everyone should have access to water that is  
10 safe, reliable and affordable. And affordability  
11 has always been a primary focus of NAWC, but a  
12 little history about how we came to the water  
13 equity definition.

14 During the pandemic in 2020, there were a lot  
15 more customers who were struggling to pay their  
16 utility bills than ever before, and so at NAWC, we  
17 decided we really wanted to look at the  
18 affordability issue and really get an assessment of  
19 what our members were doing on the issue, whether  
20 we were doing enough, and what we could do to help  
21 customers.

22 And so we convened an affordability task force  
23 that had representatives from all of our members to  
24 discuss this issue, and we very quickly realized  
25 that talking about affordability was a bit too

1 narrow, because what customers really want is  
2 affordable water, but they also want water that  
3 they can drink, that's safe and that's reliable.  
4 You really want all three of these things, safety,  
5 reliability and affordability.

6 So for us, water equity is kind of an umbrella  
7 that includes all three of those things. So that's  
8 our three-legged stool of water equity. And like a  
9 stool, we believe that you can't really prioritize  
10 one leg over the another, otherwise the stool will  
11 wobble and won't stand up. You really need to make  
12 sure you have all three, and so that is really a  
13 focus of ours at NAWC.

14 Next slide.

15 So a second priority of ours, which is one of  
16 the legs of water equity, is safety. Never  
17 compromise on safety and reliability. So after we  
18 have all witnessed unfortunate events like Jackson,  
19 Mississippi, and Flint, Michigan, we know that safe  
20 water is not something you can take for granted.  
21 It is something that a utility has to work towards  
22 and has to be vigilant about. Safe water that  
23 comes out of your tap is not an accident. It  
24 requires a lot of hard work to get there, and NAWC  
25 is very proud of our member safety record. You can

1 see on the slide that we have a great compliance  
2 record. We have greater compliance with federal  
3 drinking water standards than other utilities. A  
4 near perfect record when it comes to Safe Drinking  
5 Water -- Safe Drinking Water Act, so safety is a  
6 real priority at NAWC.

7 Next slide, please.

8 The next leg of the stool is reliability.  
9 Reliability is also getting more challenging these  
10 days with the challenges that Lila talked about.  
11 We have storms, cybersecurity, a lot of things that  
12 could impact reliability. So what do NAWC members  
13 do about this?

14 There are two keys to ensure reliability. The  
15 first is advanced utility planning. You really  
16 need to plan for these things before they happen,  
17 and that includes having long-term infrastructure  
18 replacement plans, developing security plans for  
19 cyber and physical attacks, hardening your system  
20 before the storms hit, and planning for short- and  
21 long-term supply issues.

22 And as I said, investing in infrastructure is  
23 very key to this. You can't wait until the crisis  
24 or the pipe breaks to invest in infrastructure;  
25 because the water industry is so capital intensive,

1           you really need to be engaging and investing in  
2           your infrastructure gradually over time so that  
3           these expensive -- these investments aren't --  
4           don't give the customers rate shock.

5           And so NAWC members are really great at this.  
6           As you can see here, our members invest \$3.9  
7           billion annually in their systems. And given that  
8           a trillion dollars is needed over the next 25 years  
9           for drinking water infrastructure, this is really  
10          important that private industry is doing their part  
11          so that not all of this falls on the government or  
12          other -- other parties to make these investments.

13          Next slide, please.

14          The next -- the next focus for NAWC is  
15          focusing on the customer. So we understand that  
16          when we provide water, we are holding the public's  
17          trust in our hands, and that is very important for  
18          people to trust their tap water.

19          A 2019 consumer report survey found that a  
20          majority of people think that bottled water is  
21          safer than tap water, and this is really  
22          problematic for many reasons, but particularly for  
23          affordability reasons.

24          Eight glasses of tap water per year costs 49  
25          cents per year. So if your water bill just



1 included your eight glasses of tap water, you pay  
2 49 cents a year. If you buy bottled water, you  
3 would be paying \$1,400 per year. So that's a very  
4 big difference, particularly for low-income  
5 customers. So we really need to make sure that  
6 customers trust the water that comes out of their  
7 tap.

8 So water utility is the most afford -- water  
9 service is the most affordable utility service  
10 that's out there, but there will always be  
11 customers who struggle, so what do we do to help  
12 those customers? This extremely important, and  
13 that's where customer assistance programs come in.

14 Rather than trying to encourage utilities to  
15 artificially keep their rates low and not invest in  
16 their systems, and that's where safety and  
17 reliability tend to suffer, we need to make sure  
18 utilities are charging accurate rates, but that we  
19 have safety nets for customers to help them who  
20 can't afford to pay those rates.

21 And this really an all-hands-on-deck  
22 proposition. Utilities should have customer  
23 assistance programs. States should have programs  
24 to help customers, and the federal government  
25 should have a program. I am sure y'all have heard

1 of LIHEAP on the electric and gas side, the federal  
2 program. Until 2020, water did not have a federal  
3 program to help assist customers. That changed  
4 with the advent of LIHWAP, but unfortunately, this  
5 is a temporary program. It's a federal low-income  
6 assistance program, but it's set to expire in  
7 September 2023, and NASUCA and NAWC have been  
8 working on really trying to encourage public  
9 utility commissions and everyone who can to speak  
10 out and try to encourage that program to become  
11 permanent to help customers.

12 MS. JABER: Let me interject here, just  
13 because it is being transcribed.

14 NASUCA is the National Association of Consumer  
15 Advocates. NARUC, of course, you are familiar  
16 with, Association of Regulatory Commissioners, and  
17 NAWC. But all three organizations have been very  
18 open in soliciting support from state commissions  
19 to write Congress.

20 So one of the things, Mr. Cicchetti, again, as  
21 we take a holistic view of all the things state  
22 commissions can do, Florida considering submitting  
23 a letter in support of LIHWAP is -- would be  
24 welcomed. Would be welcomed.

25 MS. BALLOU: Thanks.

1           So other ideas to help keep rates -- keep  
2           rates low for customers, focusing on conservation.  
3           Obviously, the less water you use, the less your  
4           bill will be, and leveraging economies of scale.  
5           Lila already touched on this.

6           If utilities have the option to use  
7           consolidated rates and kind of leverage economies  
8           of scale and spread those costs across a larger  
9           customer base, this also can help.

10          Next slide, please.

11          So economies of scale, it can be hard for some  
12          water utilities, particularly if they are very  
13          small. You can see on this map, the water system  
14          is very fragmented throughout the country. There  
15          are 45,000 public water systems in the United  
16          States, and this is compared to 3,200 electric  
17          utilities. So there are thousands upon thousands  
18          of small, very small water utilities in this  
19          country.

20          Next slide, please.

21          This is problematic because more than 90  
22          percent are small utilities, serving lower than  
23          10,000 people. A lot of these smaller utilities  
24          lack the technical, managerial and financial  
25          capabilities to run their system properly.

1           As you can see on the slide, 26 percent of  
2 systems with a service population under 500 have  
3 safe drinking water violations. In 2018, small and  
4 very small water systems made up 85 percent of all  
5 systems at the EPA labeled as serious violators.  
6 In addition, small water systems often need a lot  
7 of work, which their small customer base cannot  
8 afford.

9           According to EPA, small systems account for a  
10 disproportionate percentage of capital improvement  
11 needs. You can see on the slide, for systems less  
12 than 100 residential customers, cost per connection  
13 for outstanding capital needs can top \$19,000 per  
14 customer. Compare this to the median annual  
15 revenue of systems serving fewer than 500 people is  
16 \$25,000.

17           So this just isn't possible, and this is where  
18 you get the safety and reliability concerns, when  
19 these systems don't have the ability to fix the  
20 infrastructure problems that are facing them.

21           Next slide, please.

22           So what's the answer? One tool in the  
23 toolbox, as Lila mentioned, is to incentivize  
24 voluntary consolidation, and how do we do that?  
25 That's when we talk about the role of public

1 service commissions, and really creating a  
2 constructive regulatory environment to encourage  
3 that consolidation as an option.

4 And when you do see water systems  
5 consolidating, you see water utilities that have a  
6 lot of benefits. They have better water quality.  
7 They have better compliance rates, improved  
8 operating efficiencies. They can attract and  
9 promote higher quality employees. They can borrow  
10 money at lower interest rates, and they can more  
11 often afford to establish customer assistance  
12 programs. So these are all great things that are  
13 benefits of consolidation.

14 So there are really two ways to encourage  
15 consolidation. One is regulatory, and one is  
16 legislative.

17 Next slide, please.

18 14 states across the country have passed  
19 legislation to incentivize water system  
20 acquisitions, or many states have taken regulatory  
21 approaches. Pennsylvania has done both. And you  
22 can see on the side here, in 1983, Pennsylvania had  
23 333 water systems, and in 2022, they now have 55.  
24 So kind of taking this dual approach of legislative  
25 and regulatory mechanisms, has represented

1 Pennsylvania.

2 And Lila is going to talk a little bit about  
3 those -- some of these regulatory approaches are.

4 MS. JABER: Thank you, April.

5 Mr. Staden, if I can bother you to go back to  
6 slide 13, just to put what I am about to say in  
7 context.

8 So in the late '90s, when I was here in legal,  
9 all the way through my service on the Commission,  
10 end of 2004, I think, early 2005, this is what we  
11 had in Florida. Thankfully not this drastic in  
12 terms of annual health violations. So let me share  
13 with you some of the things that we did that could  
14 be reinstated, could be revisited, could be  
15 modified if you find them to be a Best Practice.

16 We started one by one reaching out to the  
17 Class C utilities. And my partner in that effort  
18 was Marshall Willis. I am going to give Marshall  
19 and the team in the economic regulatory department  
20 of the PSC at the time complete credit for this.

21 We put together a Class C workshop so we could  
22 teach the smallest of the companies how to come in  
23 for a rate case, because what we found out was it  
24 wasn't that they were just a failing system. They  
25 weren't ever going to do anything about it. And

1           what that created for us at the Commission was  
2           future abandonments, future requests to counties to  
3           take over the system, right? And for many of those  
4           counties, they really weren't willing to take over  
5           the system, but the statute had a resolution. It  
6           was the PSC would petition the Court, and the  
7           county would take over the system, statutory.

8           So one by one we reached out to the Class C  
9           utilities, and we taught them how to come in for a  
10          staff-assisted rate case. We did that once a year  
11          until things got better. And many of the smallest  
12          companies got on a track to come in for a  
13          staff-assisted rate case.

14          Now, for the four of you, and for all of the  
15          staff that knows exactly what I am talking about,  
16          to say that the PSC staff conducts every part of  
17          that staff-assisted rate case is not an  
18          exaggeration; because more often than not, what our  
19          staff analysts would be welcomed with would be a  
20          shoebox of receipts.

21          Those are the utilities that we are talking  
22          about. The utility that puts his or her pump on a  
23          credit card because that's the line of credit that  
24          they have. Those small utilities may be just fine  
25          today and tomorrow, but they are not going to be

1 fine 20 years from now, when the daughter or the  
2 son inherits that utility and doesn't want anything  
3 to do with it. And this very commission has had to  
4 deal with that issue time and time again.

5 So now let's go to the benefits of  
6 consolidation, Mr. Staden, which is slide 16.

7 It's not a one-size-fits-all. And there is no  
8 perfect solution. But from a state perspective, a  
9 strong strategic path toward consolidation is the  
10 right step. How you promote consolidation, how you  
11 incent consolidation, how you request consolidation  
12 is completely within the discretion of the Public  
13 Service Commission.

14 All I think NAWC would suggest to you, and the  
15 industry, which I am sure will have more specifics  
16 than we do, is give us the clear signal, the  
17 regulatory certainty that you welcome  
18 consolidation; because here's what we know about  
19 the dollars, capital goes to the states that have  
20 regulatory certainty. I want you to contrast this  
21 with the electric and natural gas industry.

22 Our electric and natural gas companies -- some  
23 are my clients, I know this to be true -- have  
24 entered into the Florida market because there is a  
25 constructive regulatory environment.



1           The water industry creates jobs too. The  
2           water industry is willing to invest in our state  
3           too. We need the investment in our state. Florida  
4           is now quickly approaching being the second largest  
5           state in the country. That means people are moving  
6           into our state. People that need safe, reliable,  
7           affordable water service.

8           Now, you have to ask yourself, is it the  
9           family that is putting their receipts in the  
10          shoebox that's going to be providing that safe,  
11          reliable and affordable service, or can we do  
12          better?

13          That model, that very small of the small model  
14          worked in its time. It doesn't work when Florida  
15          is on its way to being the second largest state.  
16          We are state leaders. We make the difficult  
17          decisions. It's difficult to say Florida  
18          strategically is moving towards consolidation, but  
19          it's a long game, and so here's what the long game  
20          creates: Regulatory certainty. An acquisition  
21          policy that people can understand; more  
22          importantly, that investors are willing to invest  
23          in. It's a tool in the toolbox. We speak  
24          confidently about it because we know other states  
25          have done it, and they have done it well.

1           And so again, circling back to the role of  
2           NAWC, I hope if the only thing we accomplish today  
3           is send you a strong signal that we are willing to  
4           be a resource to you, we hope that you take  
5           advantage of that.

6           Next slide.

7           NARUC over the years has worked with state  
8           commissions to develop Best Practices. Florida, as  
9           we talk about the things that you can do going  
10          forward, it's noteworthy to take a step back and  
11          recognize Florida is a Best Practice state.

12          I am so proud of our state. I am proud of the  
13          fact that we were one of the first states, if not  
14          the first state, to do the staff-assisted rate  
15          case. I am proud of the fact that Florida was one  
16          of the first states to embrace a future test year  
17          and known and measurable challenges. I am proud of  
18          the fact that we have the leverage formula that  
19          provides certainty with regard to cost of capital  
20          and what ROEs could be in the water industry. I am  
21          so proud of the fact that the electric and natural  
22          gas companies have actually modeled a lot of their  
23          ratemaking on the water industry, right? But it's  
24          not a time to stand on our laurels. There is more  
25          to be done. And as our state is growing, we have

1 to grow, and we have to move forward.

2 Mediation and settlement, never a wrong  
3 answer. Never a wrong answer. Streamlining the  
4 rate case process is never a wrong answer. What  
5 can be done through paper? What absolutely has to  
6 come to the Commission versus what can be approved  
7 administratively?

8 Florida is one of the first states to do what  
9 has come to be known today as single tariff  
10 pricing. For those of us that lived through the  
11 Southern States rate cases, it's uniform rates.  
12 Florida did that. We did that, and the Supreme  
13 Court said we could.

14 This is a Best Practice state. There is more  
15 to do, and I think this commission can do it.

16 Thank you for your time. Thanks for allowing  
17 me and April to be part of this today.

18 MR. CICCHETTI: Thank you, Ms. Jaber and Ms.  
19 Ballou. Excellent presentation, and you have done  
20 a great job of outlining what the situation is and  
21 what we are dealing with.

22 Next up, we will have Mr. Marty Friedman on  
23 behalf of U.S. Water and also Sunshine Water  
24 Services.

25 Marty.

1           MR. FRIEDMAN: Yes. Marty Friedman on behalf  
2 of Florida Community Water Systems, and the other  
3 systems that are managed by U.S. Water, and also  
4 behalf of Sunshine Water Services, both have --  
5 also have representatives that will make -- will be  
6 making comments.

7           My initial comment would only be kind of  
8 tracking what Lila said. In the 40 plus years I  
9 have been doing this type of work, the water and  
10 wastewater regulatory industry and companies have  
11 changed from originally being developer created and  
12 operated and maintained, because the developer  
13 couldn't get water and sewer service from anybody  
14 else and had to do it themselves, to a more  
15 sophisticated, where a lot of the utilities left,  
16 like my two clients here, that are properly  
17 managed, operated and financed. And I don't think  
18 necessarily that the regulatory scheme has kept up  
19 with what is actually transpired in the industry  
20 itself, and we welcome the chance to expand upon  
21 the issues that y'all are here to discuss and reach  
22 some solutions on it, because it is time to make  
23 some change in these regulations to encourage  
24 consolidation, to encourage money for  
25 infrastructure, particularly in maybe some of the

1 smaller systems.

2 Thank you.

3 MR. CICCHETTI: Thank you, Mr. Friedman.

4 Next Ms. Susan Clark. Sorry, Ms. Susan Clark.

5 MS. CLARK: I heard you. Thank you, Mark.

6 As you indicated, I am Susan Clark with the  
7 Radey Law Firm here on behalf of Central States  
8 Water Systems.

9 I would like to turn it over to the President  
10 of Central States to allow him to make a few  
11 remarks. We did bring some copies of his remarks,  
12 probably not enough, but I will pass them out and  
13 turn the mic over to Mr. Cox.

14 MR. COX: Hello. My name is Josiah Cox. I am  
15 the President and Founder of Central State Water  
16 Resources. I am really pleased to be here today.  
17 I appreciate you all organizing this workshop. I  
18 think this is really important for the state of  
19 Florida.

20 So a little bit about our company. So Central  
21 State Water Resources, we in 11 states, and we  
22 really -- our mission is to bring safe, reliable  
23 and environmental sustainable water resources to  
24 every community in the U.S. The every community  
25 piece is really key, and I think it's pertinent to

1           what we are talking about today because as you  
2           heard from the National Association of Water  
3           Companies, there is 45,000 water utilities in the  
4           United States. There is actually 35,000 sewer  
5           utilities in the United State. You compare that to  
6           England, there are 26.

7                        So the fragmentation is a huge issue, because  
8           we all know the Clean Water Acts is increasingly  
9           more stringent over time as we find new pollutants  
10          that are either human health, you know, potential  
11          risks, or environmental risks. So even though the  
12          plants that were built 20, you know, 15 years ago,  
13          they no longer meet modern EPA requirements.

14                       And what we are seeing now in the industry is  
15          that the infrastructure crisis that we kind of talk  
16          about, you know, in an esoteric sense, it's not  
17          looming. It's already here for small utilities.  
18          You know, the day of the mom and pop utility is  
19          really over, and we are seeing that with the, you  
20          know, kind of failing infrastructure across the  
21          board.

22                       You know, it was interesting. We talk about  
23          timing. Why are we in such a rush? I think we are  
24          in such a rush because when -- those of us who are  
25          practitioners, who are out in the field looking at

1           these systems, you realize how much -- how much  
2           infrastructure investment has been lacking. And  
3           what that really means is it's public health risk.  
4           It's public health risk. It's service and reliable  
5           risk.

6                     And unfortunately small water and sewer, it's  
7           such a small part of what everyone does. You know,  
8           we joke, because we do this all over the country,  
9           that sometimes water and sewer can be the wicked  
10          red-headed stepchild pushed to the corner. You  
11          know, we talk about buying systems that have  
12          shoeboxes full of receipts, or bankers boxes. And  
13          we just see that over and over again, right?

14                    And, you know, what you have in front of you  
15          is some pictures that I would just like to look --  
16          show you these. These are actually systems that we  
17          bought in Florida. So if you go to the third page  
18          there, Ashley Heights Subdivision. And the reason  
19          why I am showing you, you talked about timing. Why  
20          are we in a rush to get through a regulatory  
21          proceeding, like, why are we doing this? Well,  
22          it's because the investment is critical, and it's  
23          needed now. And so I really appreciate you all, as  
24          a commission, staff, being forward-thinking and  
25          realizing, hey, these are issues we need to

1 address.

2 But as you kind of look through this --  
3 through this slide, I will just talk briefly about  
4 these. That Ashley Heights Subdivision, what you  
5 are looking at is a wellhead, and that wellhead has  
6 actually been exposed to the air, and there is --  
7 they have tried to duct tape that wellhead. What  
8 that means is you have the potential for pathogens  
9 to get into the drinking water system, right? And  
10 that's a human health risk.

11 You know, these are the type of things where  
12 people are even fixing basic screens. They are  
13 using tape and baling wire. I mean, the kind of  
14 things we joke about is really happening out there.

15 Go to the next page. This is Belleview Okas.  
16 So that's a hydrogen pneumatic tank. So that's a  
17 tank that provides pressure for a community there.  
18 It's got holes in the tank, which means that,  
19 again, you have a potential for pathogens to get  
20 into the water system.

21 You can see that wellhead that is on the  
22 ground, with the cinderblock next to it, there is  
23 no actual, you know, raise. It's not protected.  
24 Again, another potential for human health risk.

25 And you can see, you know, the chlorine is sitting



1 out unprotected. Actually, when chlorine it  
2 exposed sunlight, it actually degrades it. So that  
3 means as that chlorine is being entered into that  
4 system, it has degraded over time and not as  
5 effective. I mean, that's a system that's on the  
6 verge of failure. We look at that, right? At any  
7 point it could literally quit providing basic  
8 provision of service.

9 You go to the next page. This is a great  
10 system. So, again, you see a similar pressure tank  
11 there that's been abandoned because it had failed,  
12 and it had a temporary, you know, tank brought in.  
13 Well, that temporary tank has been there for a  
14 decade. And you can see from the amount of, you  
15 know, rust and distress on that, and that's a great  
16 example of a system that they didn't have the money  
17 to fix the tank, right? So now you are running a  
18 whole community off a temporary system, and the  
19 temporary has become the permanent. And that's  
20 what we see over and over again.

21 You go to the next one. It's a wastewater  
22 treatment plant in North Peninsula. So this  
23 wastewater treatment plant you can see is extremely  
24 degraded. You see that corner picture there? It's  
25 kind of hard to see that black tank. What you are

1           seeing there is there is an indentation or groove,  
2           because that wastewater treatment plant overflowed  
3           so much that it has worn away the concrete.

4           So when you think about, you know, partially  
5           treated or untreated sewage, you know, getting  
6           under the ground, you are actually exposing  
7           residents, receiving water body -- your receiving  
8           waterways to human health pathogens. I mean,  
9           that's human waste that's going into that, right?  
10          And that's a serious issue.

11          And you can see there is, you know, rusted out  
12          weirs. The mechanical system in this wastewater  
13          treatment plant is almost completely failed. So  
14          you are talking about a complete rehabilitation.

15          And unfortunately, what I have experienced  
16          oftentimes, and I have actually heard in different  
17          settings comments like this. Well, every water and  
18          wastewater system gets into compliance agreement  
19          with DEQ. That's normative. That's not normative.  
20          That's how bad it really is.

21          Or I have heard other comments, well, it's  
22          okay that the net book value on this system is, you  
23          know, 10 percent of replacement value. We haven't  
24          had any complaints. No, that's the system of a  
25          system that's about ready to fail.

1           Or, hey, we know this system, you know, there  
2           is so much contributive, you know, capital to this  
3           system that it will be fine. Well, no, the books  
4           and records don't show that. There is no net book  
5           value.

6           So I think when you see pictures like that,  
7           and hear comments in different regulatory  
8           proceedings, you know, I think it's really  
9           indicative of the crisis that's kind of facing  
10          small communities. And so I appreciate, you know,  
11          having a constructive forum to be able to talk  
12          about this, and I really hope we get to some  
13          constructive solutions. So thank you so much for  
14          letting me narrate this stuff and talk.

15          MR. CICCHETTI: Thank you, Mr. Cox.

16          Next up we will have the Office of Public  
17          Counsel, Mr. Charles Rehwinkel.

18          MR. REHWINKEL: Thank you, Mark, and it's good  
19          to see everybody here.

20          My name is Charles Rehwinkel. I am here with  
21          Alli Wessling.

22          MR. CICCHETTI: Mr. Rehwinkel, I am sorry. I  
23          think I skipped Mr. Brisé.

24          MR. REHWINKEL: Oh, I'm -- I --

25          MR. CICCHETTI: I'm sorry.

1           MR. REHWINKEL: -- don't want to go ahead of  
2           Commissioner Brisé.

3           MR. BRISÉ: Thank you, Mr. Cicchetti. Thank  
4           you for the opportunity to be here this morning.

5           My job here this morning is to introduce  
6           Michael Cartin Director of Corporate Development  
7           with Southwest Water Company. But before I turn it  
8           over to him, I just want to make a comment or two  
9           just to remind us that Florida is growing at about  
10          800 to 1,000 persons a day. And our policies and  
11          our regulatory policy and practices need -- really  
12          need to reflect that growth, and be able to adapt  
13          to that type of growth.

14          So as we consider what we are doing from a  
15          policy and practices perspective, flexibility is  
16          extremely important in what we are thinking of in  
17          order for us to remain a very stable and  
18          constructive regulatory environment.

19          So with that, I will turn it over to Michael.

20          MR. CARTIN: Thank you, Ron. And thank you  
21          again, Lila and April, for your continued support.

22          Southwest Water Company is a nationwide  
23          utility. We are in seven states, and we recently  
24          entered Florida. Right now we are still relatively  
25          small in Florida, but we are growing, as you are

1           aware. And I just want to say thank you for the  
2           opportunity to be here and provide comments on  
3           these extremely important matters.

4                    We are very excited to be in Florida. We  
5           think it's a very constructive regulatory  
6           environment. We are just very happy to be an  
7           employer and doing business here in Florida.

8                    When I look at all of these issues, if I had  
9           to pick one, or two, or three that I think are the  
10          most important, we look at system consolidation as  
11          being extremely important. We -- one thing I don't  
12          think we have mentioned, that I have experienced in  
13          my career as a negative impact to customers due to  
14          the lack of system consolidation in other states,  
15          is rate case expense is something, when you look at  
16          electric utilities, it typically costs a water  
17          utility a very similar amount of money to file a  
18          rate case and go through the entire proceeding, and  
19          we do not have the ability to spread those costs  
20          over a much larger customer base. So it has a much  
21          more substantial impact on our customers, and in a  
22          time of age infrastructure and cost increase, we  
23          really want to be putting -- putting our investment  
24          into the ground and providing exceptional service.

25                    So system consolidation is something that's

1 extremely important to us. Regulatory  
2 efficiencies, reducing regulatory lag, and really  
3 just want to reiterate that we are an active member  
4 of NAWC, and we are supportive of all their  
5 comments and positions made earlier today.

6 And again, thank you for the opportunity to be  
7 here to provide comments and be part of this  
8 workshop.

9 MR. CICCHETTI: Thank you. Thank you for  
10 being here today, and thank you for Southwest Water  
11 being in Florida.

12 Mr. Rendell with U.S. Water, you have --

13 MR. RENDELL: Thank you, this is Tory Rendell,  
14 Vice-President of investor-owned utilities with  
15 U.S. Water. I do want to make a clarification,  
16 U.S. Water doesn't own any of the IOUs. They are  
17 not a parent company, but we contracts with the  
18 IOUs which I have the oversight with.

19 I bring over 35 years of experience, mostly in  
20 the water and wastewater industry, and with over 20  
21 years as a staff member of the Public Service  
22 Commission. I was in the trenching with Lila and  
23 Marshall, Bart in many of the early stages in the  
24 '80s and '90s in the water and wastewater industry,  
25 and we worked very hard to try to push forward

1 policies to move the water and wastewater industry  
2 forward.

3 I am excited to have an opportunity to address  
4 the Commission on these emerging policies. I was  
5 personally involved with many of the rule-making  
6 and policies that were enacted at the time. These  
7 were in the '80s and '90s. And as was previously  
8 stated by both Marty and Lila, there is -- there  
9 were hundreds and hundreds of small water and  
10 wastewater utilities.

11 I worked originally in certification. That  
12 was, you know, gave certificates, grandfathers,  
13 original transfers. And then I worked under  
14 Marshall in the rate cases in both small and large.  
15 We actually did the workshops together, went and  
16 presented to the -- to the Class Cs, but these --  
17 these rules were enacted, again, a very long time  
18 ago. The rules were enacted for the circumstances  
19 at the time, which was developer-owned, very, you  
20 know, some of them come into Florida building large  
21 utilities hoping to build, but the growth didn't  
22 happen. The recession hit. Many of the developers  
23 left the state of Florida. Some of them are coming  
24 back.

25 Today, there is very little, if any,

1 developers building water and wastewater companies.  
2 We work with these developers. I know  
3 boots-on-the-ground of what they are doing and how  
4 they are doing it. We recently did a greenfield  
5 project over in the Tova area with one.

6 But the rules were addressed for specific  
7 circumstances. The demographics and economies in  
8 Florida have changed tremendously. Unfortunately,  
9 the rules did not. The rules at PSC in Florida are  
10 very restrictive. They need to change to encourage  
11 more consolidation.

12 I testified before the Commission as a staff  
13 member as well as a witness on behalf of Aqua on  
14 uniform rates. I was very passionate about it. I  
15 think Lila and Joann Chase is the one that got me  
16 to do it as a young analysis, and I really enjoyed  
17 it, so I have testified on uniform rates and  
18 consolidation.

19 Many of those small utilities, as Lila  
20 indicated, they were family owned. They are small  
21 mobile home parks located all over the state of  
22 Florida. They've aged as long as many of us in  
23 this room, but what happened is a lot of them were  
24 family owned and they were, like, inherited by --  
25 by their sons and daughters.



1           That's not happening in 20 years. It's  
2           happening now. I spoke to probably six or seven in  
3           the last couple of years that that's happened, and  
4           they do not want to be in the business. They don't  
5           have the money. There is -- their plants are old,  
6           needs to be replaced or invested, and they don't  
7           have the money. They don't want to own it.

8           When I started at U.S. Water in 2014, we had  
9           approximately six utilities, four of them were left  
10          over when Aqua left the state of Florida for  
11          political reasons. And over the past nine years,  
12          we purchased -- we are up to 26 utilities. We  
13          actually purchased one from Southwest -- Southwest  
14          Water in Oklahoma, so we work very closely with  
15          Southwest Water as well.

16          Many of the ones that we would -- but we only  
17          bought them if it made sense. Some of them didn't  
18          make sense for us, and they were subsequently  
19          purchased by either Central States or Mike  
20          Smallridge.

21          So we are all -- we are all in this together  
22          trying to find the best policies to move this  
23          industry forward. I have numerous comments on the  
24          different subject matters which I will reserve my  
25          time for, but I appreciate the time to address

1           this.

2           MR. CICCHETTI: Thank you, Mr. Rendell.

3           And I believe Mr. Deason with Sunshine Water  
4           Services would like to make a few comments.

5           MR. DEASON: Thank you, Mr. Cicchetti. Jared  
6           Deason with Sunshine Water Services. Thank you for  
7           this opportunity that we have today.

8           I just wanted to bring up a couple of points  
9           and first, I will just kind of continue on with  
10          what Mr. Brisé was saying a little earlier about  
11          the fact that Florida is a growing state. Okay,  
12          every day, lots of people are moving here. I can  
13          envision one day that Florida could be the largest  
14          state as far as population given our growth rate,  
15          and the fact that baby boomers are retiring and  
16          moving down here this drives.

17          So there is a dire need for investment in the  
18          state, not just for our old infrastructure, but  
19          also for the new infrastructure. So that requires  
20          a massive amount of capital investment.

21          So as an investor-owned utility, we have to go  
22          out to, I guess you could say Wall Street, and we  
23          have to go borrow money, solicit funds for  
24          investment. And there is competition for that  
25          money all across the country, and we are competing

1 with other states. And I know Florida is a Best  
2 Practice state. We have some great Best Practices  
3 that Ms. Jaber identified, and I am very familiar  
4 myself as a former staff member. But the fact is,  
5 is we are lacking in some areas.

6 There are other states that have better Best  
7 Practices in some sense than we do, such as fair  
8 market legislation, or cost recovery mechanisms  
9 outside of a rate case, like DISC programs that  
10 they have in, say, Pennsylvania, okay. So when we  
11 are looking at going to get funds, oftentimes money  
12 goes to other places than here in Florida. Even  
13 with my own company, I can see that, okay.

14 My company, my parent company, Corix, doesn't  
15 operate just in Florida. It has companies all  
16 across the country, you know. And there is certain  
17 times where we are looking at doing capital  
18 investments, but yet we have a sister company in,  
19 say, Texas, or Illinois, or North Carolina, that  
20 may have better Best Practices, and their projects  
21 take priorities over Florida.

22 Now, we have invested a lot of money over the  
23 last 20 years. We've probably invested over \$100  
24 million, and we continue to invest, but we still  
25 have to compete for money. We still have to

1            compete with Wall Street. We have to compete with  
2            other companies in other states. We even have to  
3            compete with our own companies within our -- our  
4            own sister companies.

5            So just -- just keep that in mind when  
6            thinking about these patches, especially the timing  
7            of it. I know that we've heard comments earlier  
8            saying that this probably should be delayed, or put  
9            the brakes on, but the need is there, and keep that  
10           in mind.

11           Also, I want to talk a little bit about rate  
12           consolidation. As was pointed out earlier, we do  
13           have consolidated rates. I think it was a great  
14           thing. It was not a very fun experience. I know  
15           that there was a lot of work that went into that.  
16           Essentially, we had to do minimum filing  
17           requirements for all 20 of our systems, and do  
18           basically 20 rate cases in one to come out with  
19           consolidated rates. But in the end, it worked out.  
20           And the next time we had a rate case, everything  
21           went a lot smoother and a lot more efficiently. It  
22           was a lot better experience overall.

23           Additionally, looking at the rate impacts, in  
24           -- because our -- our rates are consolidated, we  
25           had some systems that did go up. I am sure the

1 Commission is familiar with Sanlando and their rock  
2 bottom rates that went up to the consolidated  
3 rates. However, we had a lot of systems that had  
4 much, much higher rates than our consolidated  
5 rates, and their rates came down. So we had some  
6 say -- some customers that had rock bottom rates  
7 that were more than affordable, and we had some  
8 that were very expensive and not affordable at all.  
9 But now we have consolidated rates that, in my  
10 opinion, are very affordable.

11 And I know Mr. Friedman sent me a report  
12 several months ago from Ralph Tillis Consultants,  
13 and they did a rate study of all the municipal  
14 systems across the state of Florida. And in there,  
15 they had one particular page in the report, which  
16 said this is the average bill for a Florida  
17 resident. I think they used 8,000 gallons was the  
18 example.

19 So they looked at the average bill, and I just  
20 took our consolidated rates and plugged in 8,000  
21 gallons and figured out how does our rates compare?  
22 And actually, our were just a little bit higher on  
23 the wastewater side, but actually a little bit  
24 lower on the water side, which tells me that, you  
25 know, our rates for some may be a little bit

1 higher, but they are also affordable, and that's  
2 the good thing about rate consolidation.

3 So I just wanted to make shows quick comments,  
4 and look forward to providing more throughout this  
5 hearing. Thank you.

6 MR. CICCHETTI: Thank you, Mr. Deason.

7 I believe we have Mr. Smallridge.

8 MR. SMALLRIDGE: Thank you. Is this on? Now  
9 it is. Okay, thank you.

10 Michael Smallridge. My company is Florida  
11 Utility Services.

12 I just would like everybody to keep in mind  
13 two things as we go through this process and  
14 consume a lot of information here today.

15 Number one, personally coming from me from my  
16 preponderance, is I would like everybody to keep in  
17 mind that the amount of money that I can borrow  
18 whether it's State Revolving Fund loan money or  
19 private banking financing to get these projects  
20 done, replace infrastructure, what have you, there  
21 is a financing period for that. And sometimes we  
22 are not always able to recoup the money that --  
23 from the customers that we have to spend up front  
24 in a reasonable amount of time, you know, to get  
25 that money back. And for companies like mine that

1           are small, really small utilities, that's -- it's  
2           hard to -- it's hard to get that done.

3           And that may be part of the reason why some of  
4           these projects don't get done. You know, if I have  
5           to replace a fire hydrant for 4,000 or 5,000 bucks  
6           and I get to recoup it over 30 years, or 50 years,  
7           or whatever it is, it makes it hard. And so I  
8           would like to -- for everybody to keep in mind the  
9           recovery time and the financing abilities of small  
10          utilities to be able to get money.

11          The second thing is that I have been the  
12          court-ordered receiver of eight different utilities  
13          in my career, and I would like for us to keep  
14          those, even though they don't happen a lot, keep  
15          utilities that have to go into receivership in mind  
16          when you are doing all this, because I think there  
17          is a lot of avenues. It's been my experience that  
18          some rule changes could really help those  
19          situations to bring these utilities out of the hole  
20          and back in -- back into good service.

21          That's it. Thank you.

22          MR. CICCHETTI: Thank you, Mr. Smallridge.

23          Mr. Rehwinkel, I believe the floor is yours.

24          MR. REHWINKEL: Thank you. Thank you, Mark.

25          And just I just want to say at the outset that

1 we believe that this ought to be -- that we have no  
2 objection to this process going forward. We  
3 understand why the Commissioners asked to visit  
4 this issue, because there are hard cases out there,  
5 but we -- we urge the Commission and everyone here  
6 to look at this as the beginning of a dialogue.

7 There has been comment about 20 -- I mean,  
8 1980s and '90s. But in 2010, the acquisition  
9 adjustments rule went through a very arduous kind  
10 of process. It was contentious, but I think things  
11 got worked out, and you came out with a rule. But  
12 it took the better part of 2010 to do that, maybe  
13 even a little longer than that.

14 The Public Service Commission regulates, I  
15 think, about 140 water and wastewater systems. And  
16 there are, depending on your definition of a  
17 system, there is 4,000 to 6,000 water and  
18 wastewater systems in the state of Florida if you  
19 separate them out. So I think you need to be  
20 mindful of the solution that you might be able to  
21 fashion for certain cases is not necessarily going  
22 to be a comprehensive solution for people in the  
23 state of Florida.

24 The Florida Public Service Commission's  
25 oversight over water and wastewater service in



1 Florida is relatively limited once you take out the  
2 non-jurisdictional counties, adding municipal and  
3 cooperative systems. You have a relatively small  
4 piece of the pie.

5 We what we've heard about here today are  
6 certainly solutions, I think from Mr. Cox we've  
7 heard about, and I know that Mike Smallridge has  
8 dealt with some -- some really tough issues and  
9 tough cases, and even Jared's companies have. But  
10 anecdotal issues that we hear about, they should  
11 not drive policy. They shouldn't drive public  
12 policy for the state of Florida, and they shouldn't  
13 drive the policy of the Commission. They may  
14 inform the Commission's policy, and they may shape  
15 it. But what we think is important is that you  
16 look at the big picture. You look at the spectrum  
17 of utilities that are out there and you assess  
18 them.

19 So we've -- we've heard a little bit about  
20 affordability. And affordability is a concern, but  
21 this is an original cost state, and original cost  
22 means that the Commission sets rate base based on  
23 the original cost of the assets at the time they  
24 were devoted to utility service. That's the  
25 polestar of what customers rates are based on.

1           Acquisition adjustments are allowed in the  
2           state of Florida, but they are -- they are a very  
3           sparingly used tool, and rightfully so, because the  
4           customers are what's important. Acquisition  
5           adjustments are a solution that addresses a real  
6           problem. And the real problem is that without the  
7           acquisition adjustment, customers are worse off.

8           So you have an extraordinary circumstances  
9           standard that is in your policy and in your  
10          precedent that requires, at the time of the  
11          transaction, that the utility demonstrate that the  
12          cost of the acquisition adjustment is offset by the  
13          benefits that the customers would receive.

14          So we hear a lot about acquisition adjustment  
15          being a tool. Yes, it is a tool. But we believe  
16          that the acquisition adjustment rule that you have  
17          today is one that fairly balances the customers'  
18          interest with the utility's interest. Maybe it  
19          could be tweaked, and maybe it could be fine --  
20          fine-tuned within the realm of what you can change.  
21          But we believe that should be determined based on a  
22          full understanding of what the factors are on the  
23          ground, not the worst case that someone can -- can  
24          find and show, you know, how horrible it was. We  
25          think if you are going to have an acquisition

1 adjustment policy change that it ought to be  
2 targeted to the companies that need it the most.

3 We recently have been through some  
4 circumstances where the systems that were acquired,  
5 and where an acquisition adjustment was requested  
6 and denied, were ones that weren't in significant  
7 trouble. Some were relatively well run. And those  
8 are not the systems that the policy changes should  
9 be targeted to.

10 We would urge you to be very mindful of that,  
11 because at the end of the day, customers are  
12 captive in their homes and their neighborhoods to  
13 the water prices that they pay. And if an  
14 acquisition adjustment doubles somebody's rates  
15 without any offsetting benefits, then those people  
16 have serious problems about selling their houses  
17 or, you know, doing all the things that need to be  
18 done with respect to their own property.

19 People coming into the state aren't -- aren't  
20 going to be willing to pay exorbitant rates to buy  
21 a house in a neighborhood that has an escalating  
22 water rate. So affordability is important, but  
23 cost is important. And the fact that customers  
24 have paid, contributed to these assets over time,  
25 through depreciation or through CIAC, that cannot

1 be blighfully glossed over by some notion of  
2 affordability or an acquisition adjustment. These  
3 are things that matter to people, and they need to  
4 be considered and taken into -- into consideration.

5 We believe that there are -- nothing on the  
6 list do we see needs a fundamental overhaul. We  
7 are willing -- once proposals are put out there  
8 about how things should change, we are willing to  
9 comment on those. But the Public Counsel is not  
10 here today to say, we think that there is a crisis  
11 that needs to be addressed. That crisis should be  
12 shown to you through concrete, hard evidence,  
13 empirical evidence.

14 This agency is an agency that does its  
15 regulatory duty based on empirical evidence.  
16 Accounting evidence. Economic evidence. Not  
17 anecdotal evidence. So while antidotes may be  
18 important, they should not drive your policy. I  
19 can't emphasize that enough from the customers'  
20 standpoint.

21 With -- and our comments that we came here to  
22 -- to address are most obviously based on the  
23 acquisition adjustment policy, and -- and that goes  
24 to the ignoring or the setting aside of the  
25 negative acquisition adjustment. That's based on

1           extraordinary circumstances as well. So we think  
2           your extraordinary circumstances policy is  
3           something that keeps the customer in mind, and the  
4           customer should be the one that is at the head of  
5           the list of considerations.

6           You have a lot of people here today who might  
7           represent investment interests, and they want to  
8           earn a fair rate of return on greater investment in  
9           the state of Florida. That's fine. But that  
10          consideration should not trump the customers'  
11          cost-based rates that they are entitled to under  
12          the law of Florida to -- to have you base their  
13          rates on.

14          The -- the -- Mark, I can address the other  
15          areas with respect to the rate of return or the  
16          surcharge. At this point in time, we would rather  
17          see a proposal there than just should there be  
18          something done.

19          Obviously, the customers feel like the rate of  
20          return in a rate case setting is where the decision  
21          should be made. You have a leverage graph. And as  
22          we've seen in recent cases, a utility is allowed to  
23          put on their own evidence about whether their ROE  
24          is sufficient, and you have made determinations  
25          about that, I think in the recent -- it was in the

1 recent Utilities Inc. case, which I guess is now --  
2 that's Sunshine, right?

3 MR. CICCHETTI: Yes.

4 MR. REHWINKEL: Okay. I was going to ask that  
5 Doug be disqualified for a conflict of interest,  
6 but --

7 The -- you made a determination based on  
8 evidence outside of the leverage graph that just so  
9 happened to come back to the leverage graph point.  
10 But that's the opportunity where a company can make  
11 its point about whether the return is adequate  
12 enough. And as you know, we are on record in the  
13 SWIM surcharge that was proposed in this case. We  
14 fought that tooth and nail, and we don't agree with  
15 it. So you can just count us, just read our brief  
16 in the SWIM case, and that's where we will be.

17 We are happy to look at proposals and enter  
18 into a dialogue. I think it's the right of parties  
19 to bring those before you. And if they think that  
20 there is a better mousetrap, we are willing to talk  
21 about that. And I have talked to Mr. Deason about  
22 that, that we are willing to revisit this issue  
23 despite our strident opposition to it. But again,  
24 I believe that we should see concrete proposals.

25 And the last thing I want to address, which is

1 the first thing I talked about today, is, please,  
2 yes, there are some urgencies out there. Those can  
3 be addressed on an individual basis, but the state  
4 of Florida's policy, and the Commission's policy on  
5 acquisitions and consolidation, that should be  
6 based on thoughtful and informed and evidence-based  
7 consideration.

8 Thank you.

9 MR. CICCHETTI: Thank you, Mr. Rehwinkel. And  
10 I think your comments are a good segue to get us  
11 into the discussion of the issues portion of the  
12 workshop.

13 Michael, if you could give us our first slide.  
14 Michael, is there a way I could get that to show up  
15 on my screen? Okay. Thank you.

16 All right. So the first question we have  
17 before us is should criteria other than  
18 extraordinary circumstances be considered for  
19 allowing positive acquisition adjustments? If so,  
20 what criteria should be considered?

21 Do we have someone that would like to comment  
22 on that?

23 MR. FRIEDMAN: I would just make a brief  
24 comment about the acquisition adjustment.

25 MR. SUNSHINE: If you would just state your

1 full name.

2 MR. FRIEDMAN: I am sorry, Marty Friedman.

3 MR. SUNSHINE: Thank you.

4 MR. FRIEDMAN: When they -- when we got into  
5 this rule-making for the current acquisition  
6 adjustment rule, the big -- big report was done by  
7 the staff, and at that time, when that was took --  
8 took into account utilities acquired before the  
9 year 2000. There were, like, four positive  
10 acquisition adjustments, and four negatives. The  
11 last one was in 1995.

12 To my knowledge, the Commission has not  
13 approved a positive acquisition adjustment -- and  
14 please correct me if I am wrong -- since this new  
15 rule went into effect. And I find it very hard to  
16 believe that, looking at the utilities that are  
17 being acquired by various companies, that there is  
18 no benefit to the customer to doing that. I mean,  
19 I can't imagine all the acquisitions that are done  
20 of utilities that have operational or financial  
21 problems, that the Commission has not granted a  
22 positive acquisition adjustment. Obviously the  
23 rule doesn't work.

24 MR. CICCHETTI: Mr. Friedman, if I could sort  
25 of put it in little different words. Are you



1           saying that if a situation could be shown where  
2           it's in everyone's best interest to allow a  
3           positive acquisition adjustment without a  
4           extraordinary circumstances, for example, a large  
5           utility saying, I'm purchasing this utility even  
6           though it's not a troubled system, it increased my  
7           economies of sale scale and I could lower their  
8           bill, then that ought to be allowed even if there  
9           is not positive acquisition adjustment -- even if  
10          there is a positive acquisition adjustment?

11                 MR. FRIEDMAN: I think it ought to be a larger  
12           approach than just are the rates going to be up?  
13           And I know in gas cases, y'all have looked at, you  
14           know -- I forget which case, case seven -- you  
15           know, increased quality of service.

16                 I mean, typically when you go from a mom and  
17           pop to one of the systems that the people here  
18           represent, it's going to get -- you are going to  
19           get a better quality of service because you get  
20           more professional management, lower operating  
21           costs. Now, that's something that doesn't take  
22           place immediately, but through consolidation, as  
23           Jared pointed out the experience with Sunshine  
24           Water, you are going to get lower operating costs  
25           but through economies of scale. It's going to be

1 hard to prove that at the time of the transfer.

2 The next thing you considered in this case was  
3 increased stability to attract capital. As  
4 everybody has talked about, small utilities have  
5 got a hard time attracting capital. And as Mike  
6 Smallridge pointed out, you know, the companies  
7 that go to the bank and borrow money, they have to  
8 spend \$20,000 on a new tank and they borrow the  
9 money to rehab a new tank, and the bank says, okay,  
10 we will lend you the money, but you only have --  
11 you got to pay it back in three years, which is a  
12 -- three to five years is a typical business loan.  
13 You are the no going to get a 20-year, but how long  
14 is that tank amortized over? A lot longer than he  
15 has got to pay back the money.

16 So there is a cash flow issues that these  
17 smaller utilities have to deal with, and the -- the  
18 rule on reserve fund, when we get to that, we can  
19 talk about how that doesn't work.

20 So, you know, you are going to get the better  
21 ability to attract capital when you have larger  
22 company. And the cost of capital is going to be  
23 usually lower for another company. So those are  
24 the things that you looked at in these gas cases,  
25 and find that there is a basis for A positive

1 acquisition adjustment.

2 And I think that -- in the water and sewer  
3 industry, I think that the Commission has just been  
4 too myopic in looking at the bene -- in looking at  
5 the rates to the customer instead of looking at the  
6 overall benefit that the body of ratepayers will  
7 have ultimately. You may not see it on day one,  
8 but you will see it ultimately, like you have in  
9 this system.

10 And I know that Troy -- Troy has started to  
11 consolidates some of his systems, and I think you  
12 will see the same thing. You will see a more  
13 efficiently run company, certainly when it gets its  
14 rate cases. We used to file, when it was UIF,  
15 gosh, we -- they had eight or nine companies that  
16 we always had two rate cases going for them  
17 constantly for years, and there is a lot of expense  
18 in that. And now it's all brought into one. Once  
19 it's consolidated, we only got to file one set of  
20 financial MFRs, it's a more efficient way of doing  
21 it.

22 And so I think that the Commission needs to be  
23 more open-minded when it comes to extraordinary  
24 circumstances. I think that's probably what that  
25 means, is other than impossible circumstances to be

1           considered.

2           MR. CICCHETTI:   So you are suggesting that the  
3           acquisition adjustment shouldn't just apply when  
4           there is extraordinary circumstances?

5           MR. FRIEDMAN:   I think there needs to be some  
6           flexibility, or there needs to be a different  
7           definition of extraordinary circumstances.   It  
8           seems like -- I don't know what -- like I said, I  
9           haven't seen a positive acquisition adjustment in  
10          20, 30 years, so I am not sure that I know what one  
11          looks like.   But certainly, according to the  
12          Commission, they don't -- they don't exist.   And  
13          that's impossible for me to believe that in 30  
14          years of utility sales, there hasn't been at least  
15          one that -- that -- that needed -- that met the  
16          criteria of extraordinary circumstances.   I think  
17          maybe you need to define extraordinary  
18          circumstances a little -- maybe a little broader  
19          and less stringent.

20          MR. REHWINKEL:   Yeah, Mark, I appreciate the  
21          thrust of Marty's comments, but I think it's  
22          important, and the Commission has had this policy,  
23          and I think it's a good one, which is at the time  
24          you come in and you ask for the adjustment, show  
25          your math.   It doesn't -- you know, it -- whether

1 extraordinary circumstances can be shaped and  
2 people can get some flexibility and leeway, I think  
3 that's the case you put on at the time you ask for  
4 the adjustment.

5 And I don't -- and I want to make sure we  
6 don't conflate consolidation and acquisition  
7 adjustment. Those are two different concepts,  
8 because when you -- when a company comes in and  
9 they consolidate, like UIF recently did, they have  
10 -- nobody is changing the basis or the book value  
11 of those systems. Those assets are all the  
12 consolidated. There is no acquisition adjustment  
13 in there, and they show the economies of scale at  
14 that time. They show the benefits.

15 What we've struggled with recently, and in  
16 some of these cases in a denial of acquisition  
17 adjustments is at the time of the transfer, when  
18 the purchase was made, nobody could demonstrate  
19 that there were net benefits. And I -- I think  
20 that's the key, is if that's the reason you are  
21 doing it, then put it on the table and show that  
22 the benefits exist.

23 We are not opposed to there being some sort of  
24 alteration of the circumstances as long as you can  
25 demonstrate that there are benefits. This trust me

1           that down the road it will show up is not good  
2           enough when you have got people living today, and  
3           they've paid for these systems through  
4           depreciation, or CIAC, and whatever, to say that,  
5           well, in 20 years, or 10 years, or whatever, you  
6           might get these benefits. That's not good enough.  
7           And I think that's where the rub is, is it's at the  
8           time of the transfer. And that's why it's  
9           important to show that, at the time of the  
10          transfer, here are the facts on the ground.

11                        So that's just kind of my -- my two cents  
12          worth on that question you asked.

13                        MR. CICCHETTI: I would be interested in your  
14          thoughts in a situation where it can be shown that  
15          an acquisition adjustment, even if one is allowed,  
16          would still be in the best interest of everybody.  
17          Now, if the rule has it's got -- there's got to be  
18          extraordinary circumstances, that could prevent  
19          that situation from being allowed for regulatory  
20          purposes.

21                        Do you think there is some kind of analysis  
22          that could be laid out in a rule, something very  
23          tight? Because we know how fraught this particular  
24          issue can be for customers and affordability. You  
25          don't want rates going up substantially just

1           because the name changed.

2                   What are your thoughts about having something  
3           where you don't need extraordinary circumstances as  
4           long as it can be shown that it's in everyone's  
5           best interest if an acquisition adjustment is  
6           allowed?

7                   MR. REHWINKEL: Well, if that showing is made  
8           at the time, I would be much more comfortable with  
9           it, rather than trust me, down the road you are  
10          going to see these benefits. I -- because I think  
11          we are all here saying -- we ought to all be here  
12          saying this: The best interest of the customer  
13          ought to be the guiding principle here.

14                   So cutting our nose off to spite our face and  
15          denying a transaction that would yield net benefits  
16          to the customers is probably not a good thing, so  
17          -- but -- but I would like to have it fairly  
18          tightly defined if there is going to be any  
19          modification.

20                   MS. JABER: Mr. Cicchetti, and I know April,  
21          Ms. Ballou has a comment.

22                   So a couple of things. It's the PSC that has  
23          the ultimate jurisdiction over authority, service  
24          and rates, right? And so the answer to your  
25          question, and, frankly, to address a concern Mr.

1           Rehwinkel I think appropriately has, the answer to  
2           your question is you have the ultimate authority to  
3           claw back something that's not working.

4                     So the gas cases. We can use an example,  
5           Florida City Gas, Florida Public Utilities. There  
6           is a five-part test that's been used over and over  
7           again, criteria that the companies have to  
8           demonstrate. But on top of that, the PSC has the  
9           ability to review whether the five-part test is  
10          still working in a future test year -- I am sorry,  
11          in a future rate case. And you have done that.  
12          And as a matter of fact, there was one gas company  
13          that the Commission actually clawed back the  
14          acquisition adjustment.

15                    So you have the ability to implement the  
16          tools, and you have the ability to hold companies  
17          accountable, and you have the ability to protect  
18          the customer when those things are not met. When  
19          those tools have not been implemented correctly and  
20          the promises haven't been kept, it's the Commission  
21          that has the ultimate responsibility to find and  
22          make a determination that it didn't work and it  
23          will be corrected.

24                    And then the final thing I will say to you,  
25          whether you change the definition of extraordinary



1           circumstances or you create this five-part test,  
2           this is a fact. It's not anecdotal. And frankly,  
3           all the examples we've given are not anecdotal. We  
4           can give you exactly the Florida company that we  
5           are referring to that had the cybersecurity threat,  
6           or the utility that went to the daughter who was an  
7           attorney in Charlotte County that didn't want to  
8           have anything to do with running a utility company.  
9           And as a matter of fact, you all entertained that  
10          case right here.

11                 What is a real problem is if you took the  
12          entire water industry, at least the top seven or  
13          eight water companies, and you combined them.  
14          These are the publicly traded companies, the  
15          Sunshines of the world, Central States, all of  
16          them, the top seven or eight combined are still  
17          smaller than a Next Energy -- a NextEra Energy and  
18          smaller than an Exelon.

19                 That's what we are talking about here. We  
20          talk about the water and wastewater industries  
21          being some sort of behemoth. They are not. They  
22          are not. So let's keep in mind that we are, not  
23          because we are doing it intentionally, we are  
24          regulating electric and natural gas differently  
25          than we are water. And the question you have to

1 ask yourself is why? Is that still appropriate?  
2 And how do we create a policy, a consolidation  
3 policy?

4 I actually completely agree with Mr.  
5 Rehwinkel. We should not conflate consolidation  
6 with acquisition adjustment. Acquisition  
7 adjustment is a practice that can incent or  
8 encourage consolidation, but there are lots of  
9 different practices that you have to consider.

10 And so the question you have got to pose to  
11 yourself and be able to address it holistically is,  
12 how do we encourage consolidation of an industry  
13 that, just like the natural gas and electric  
14 companies, can create jobs, can do all of the  
15 things that are right by the customer, and create a  
16 sustainable water system for years to come in  
17 Florida?

18 MR. RENDELL: Mark, if I could?

19 MR. CICCHETTI: I think Ms. Ballou is next.

20 MS. BALLOU: Thank you.

21 MR. CICCHETTI: We will get to you.

22 MS. BALLOU: I just wanted to echo what Marty  
23 said, that I think it's important when you are  
24 looking at benefits and not solely focus on rates,  
25 because there are a lot of other benefits that

1           acquisitions can bring to customers. Many -- in  
2           many cases with these small systems, they have been  
3           under investing in their systems, and the rates are  
4           artificially low. So, of course, the rates are  
5           going to go up when you make the needed investments  
6           in the system to provide the safe and reliable  
7           water. But I think we can all agree that most  
8           people would pay a little bit more for their water  
9           service if they know it's safe and reliable, so we  
10          can't just focus on solely on rates when looking at  
11          benefits.

12                 And the second point I wanted to make is that  
13          we can't wait until systems are troubled to  
14          encourage acquisitions. If we wait until these  
15          systems are beyond repair, until they are a mess,  
16          it's hard to get water systems to acquire them.  
17          You don't want to wait until customers are  
18          suffering. And so you can't only say that  
19          acquisition adjustments, for example, or other  
20          tools in the tool chest to encourage acquisitions  
21          should be used on troubled systems, because you  
22          want all of these water systems to be consolidated,  
23          because if they aren't troubled today, there is a  
24          chance they will be troubled next week, or two  
25          years from now, or five years from now. And who

1           wants to wait until that happens until you  
2           encourage acquisition, because this is a long  
3           process, acquiring all these small utilities. So  
4           we shouldn't just be focused on troubled systems  
5           either.

6           MR. CICCHETTI: Thank you.

7           Troy.

8           MR. RENDELL: Thanks, Mark.

9           You know, I have a lot of comments on  
10          acquisition adjustments, and I actually have some  
11          ideas instead of just comments. But I worked on  
12          the original rule with Marshall, and with Steve  
13          over at OPC, and it was -- it was to incentivize  
14          acquisitions by larger, well-managed, more  
15          efficient utilities. That also includes  
16          consolidation, so they can go hand in hand. If you  
17          have a utility that you buy and bring it under  
18          consolidated rates, and the rates actually go down,  
19          that's a benefit.

20          So I think everyone in this room agrees there  
21          should be some benefit to the customers. That's  
22          one thing that my boss would want to I make that  
23          point. There has to be some type of benefit. I  
24          mean, we have passed on some acquisitions.

25          Lila kind of stole my thunder. When I was a

1 young analyst, starting in the Division of Natural  
2 Gas, the acquisition adjustment was one of my first  
3 issues in, I think it was Central Florida. I  
4 recommended approval. The Commission approved it.  
5 It was subsequently rolled back.

6 So that's an idea. It can be a -- acquisition  
7 adjustment could be conditionally approved for a  
8 period of time so that most of the savings -- and  
9 there is different things. There is operational  
10 savings. There is capital savings, financing  
11 savings. There is better managerial efficiencies  
12 you can bring in, operations efficiencies,  
13 economies of scales, that's going to happen  
14 after-the-fact. So you could have it conditioned  
15 upon there should be a showing, or can be clawed  
16 back.

17 The other idea is it doesn't have to be all or  
18 nothing. You could support a portion of an  
19 acquisition adjustment. If your operational costs  
20 equals or is less than the rate of return on that  
21 acquisition, you could get a portion of it. It  
22 doesn't have to be you get all or zero. That's  
23 just -- that never was intended that way.

24 So you could show a lowering of expenses and  
25 better managerial in the future. One of the things

1           that Marty mentioned, you know, you are looking at  
2           troubled, were they in trouble? You know, to be  
3           frank, we've purchased some utilities where, when  
4           we get in there, we know that they were falsifying  
5           records. We know that they were doing stuff just  
6           to pass DEP inspections.

7                        So how do we come in here and pro of that,  
8           yes, they were actually troubled, but the DEP  
9           inspection said there was nothing wrong, when we  
10          knew there was stuff wrong, but how do you prove  
11          that? There is things that -- those types of  
12          things it's hard to bring before the Commission  
13          without, you know, some type of anecdotal evidence.  
14          So there are some ideas that we can tweak this. I  
15          think that does involve consolidation.

16                       Now, negative acquisition adjustments, my  
17          thoughts on that is we just had two very large  
18          ones, and the customers, they benefit, they benefit  
19          that tremendously, because it was a lowering of the  
20          costs. We bought two utilities when Aqua left the  
21          state of Florida and they had very large negative  
22          acquisition adjustments. Those customers benefited  
23          because it lowered depreciation expense, it lowered  
24          the rate of return on investment.

25                       But once that seven years was up, it was a

1           tremendous financial impact to the utility, I mean,  
2           tremendous. I came in, and we had two dockets --  
3           they are both closed so we are not talking about  
4           open dockets -- where that was addressed, and so  
5           the depreciation expense increase was recognized.  
6           So maybe we need to look at, maybe there should be  
7           an automatic increase so we don't have to  
8           subsequently come back.

9           So these are just ideas. I mean, there is  
10          nothing solid in writing, but, you know, these are  
11          just some thoughts out there.

12          Thank you.

13          MR. CICCHETTI: Mr. Rehwinkel, I am curious of  
14          your thoughts about a partial positive acquisition  
15          adjustment that can be shown, you know, a certain  
16          amount of benefit to customers.

17          MR. REHWINKEL: Well, I think we would want to  
18          kind of talk about that. I am a little bit  
19          concerned about -- I have seen -- I have looked at  
20          transactions realtime with utilities and the  
21          different spheres, electric, gas and water, and I  
22          would be concerned a little bit about some kind of  
23          reverse engineering that -- that's what -- you  
24          know, it's pretty easy to back into some numbers.  
25          And while that -- there may be some merit to that,

1 I would like to kind of give that a little bit more  
2 thought.

3 The thing I would like to kind of caution  
4 against is the experience in gas is just a little  
5 bit different, or maybe a lot different than in  
6 water and wastewater. This notion of claw back is  
7 okay to a point. But in the gas world, I don't  
8 think gas is exactly the type of monopoly service  
9 in the state of Florida that water service is. So  
10 going down the road and revisiting something five  
11 or six years later while people are paying more,  
12 that might not be very palatable to somebody who's  
13 sitting on a house whose rates have gone up 100  
14 percent and their, you know, they can't sell their  
15 house, or they can't even afford to live in it  
16 because of the rates. So I would be a little bit  
17 cautious about making an -- finding an analog  
18 there.

19 We are willing to look at that and consider  
20 it. I know it was -- it was one of the  
21 Commissioners, or a couple of the Commissioners at  
22 one of the recent dockets wanted to see if there  
23 was a middle ground you could go to. So I think we  
24 would be willing to look at it.

25 Yeah, I think, Patty is showing me that your



1 existing rule says: Any entity that believes a  
2 full or partial positive acquisition adjustment  
3 should be made has the burden to prove the  
4 existence of an extraordinary circumstance. So  
5 it's possible you already have that tool in your  
6 toolbox.

7 MR. CICCHETTI: Okay.

8 MR. REHWINKEL: Thanks.

9 MR. CICCHETTI: I think that brings us to our  
10 second question in how can the --

11 MS. CLARK: Excuse me, Mark, we thought we  
12 were -- you were going to go down the table and it  
13 wasn't going to be a back and forth with Public  
14 Counsel, so can we --

15 MR. CICCHETTI: I am sorry.

16 MS. CLARK: -- do that? Thank you.

17 MR. DEASON: Okay. Just getting back to the  
18 first question as far as criteria. Obviously,  
19 there is a lot of criteria we could sit here and  
20 talk all day about. I think, in my professional  
21 opinion, it really comes down to two big issues.

22 Number one is quality of service. Okay, as a  
23 larger investor-owned utility, if I acquire a very  
24 small mom and pop, the expectation is that I will  
25 provide a better quality service to that customer.

1           And I think that that's one area you can develop  
2           quality, or criteria around, is how I can provide  
3           -- the customer will be better off because of the  
4           better quality of service. Some of that can be  
5           related to just, you know, better management.  
6           Invested capital to replace aging infrastructure,  
7           and so on.

8                     I think the other thing is going back to  
9           affordability. You know, there are, you know, as  
10          mentioned before, there are systems out there  
11          theoretically I could go out and acquire and bring  
12          down their rates if I use my consolidated rates.  
13          Well, that's pretty much a win-win for everybody.  
14          I don't think anybody here would disagree that  
15          that's a great circumstance.

16                    However, I can't guarantee that for everybody.  
17          There may be systems that rates have to go up if I  
18          use my consolidated rates. But if my consolidated  
19          rates are still affordable, I think it's still a  
20          win for the customer, because they are still  
21          getting better quality of service and they are  
22          still having rates that are affordable.

23                    So I think that's two ideas, or two subjects  
24          that we can create criteria around to really spell  
25          out when we can use the acquisition adjustment.

1           Because as it stands now like, you know, for water  
2           and wastewater utilities it just hasn't been used.

3                     We really need it to be spelled out  
4           specifically when we can or when we can't use it,  
5           because just from my personal experience -- because  
6           I have talked to several utilities about, you know,  
7           acquisitions and, you know, circumstances may vary.

8                     One of the ones I had was there was no dispute  
9           around the age of the infrastructure as far as the  
10          value of the plant, and the distribution pipes, or  
11          anything. It really came down to the land, you  
12          know, that land was based on book value 40, 50  
13          years ago. Well, land appreciates in value. It  
14          doesn't depreciate.

15                    And as Mr. Rehwinkel accurately pointed out  
16          that, you know, customers typically pay back the  
17          utility through the depreciation, but not on land.  
18          Land only appreciates. It never depreciates. And  
19          when you have a land value that is a -- an  
20          extremely small fraction of its market value, well,  
21          that becomes a nonstarter for an acquisition.

22                    Another one is, because it's based on book  
23          value, you do have certain utilities that have a  
24          negative value, negative rate base. Well, that's  
25          kind of a nonstarter too. How can you value?

1           There has got to be a way to value something and  
2           come to an agreement on a purchase price, but if  
3           the starting point is negative, that's a hard one  
4           to overcome.

5                     And those are just two examples of kind of  
6           deal killers that I have experienced personally  
7           over the last few years. So just keep those things  
8           in mind in developing criteria. It really needs to  
9           be very specific, because right now it's not  
10          specific. And I think if it was specific, we would  
11          see more use of the acquisition adjustment rule.

12                    MR. COX: Yes, sir. I echo those comments. I  
13          think what we really need is a defined criteria, a  
14          rules-based system. I think we all, you know, want  
15          to have clear rules on how we are defining what  
16          extraordinary circumstances are.

17                    You know, for example, from our perspective,  
18          we have multiple DEQ violations. We have multiple  
19          health violations. When you have a low or negative  
20          net book value, those are all very clearly signs of  
21          distress. Those are the type of utilities you want  
22          consolidated.

23                    If you have a lack of regulatory filings. You  
24          have, you know, a history of not making regulatory  
25          deadlines, you know, all of those. If you have no

1           succession planning, you know, if you have no  
2           ability to raise capital. You know, there are a  
3           couple of these those. And, you know, you don't  
4           have to reinvent the wheel here. There are a  
5           number of states that have great consolidation  
6           policies, it's specifically -- I think of Arizona  
7           has a great water consolidation policy.

8                        So I think it's having those criteria, because  
9           as the utility that's tried to come into the state  
10          and brought up DEQ violations, you know, net book  
11          values that are one percent of replacement costs,  
12          you know, and all of these in concert which clearly  
13          demonstrate these utilities need bought, the way  
14          the extraordinary rules are written now, those are  
15          not -- you are unable to factor those in in the way  
16          it properly should be accounted for, because  
17          really, we are looking out for the customers,  
18          because these utilities are going to fail, right?  
19          Maybe not today, but it is going to happen.

20                       And as April said earlier, the cost of  
21          replacing additional failure is so much higher than  
22          the cost of replacing, you know, a system that just  
23          needs reinvestment now.

24                       And I will let Susan talk some more specifics  
25          on that.

1 MS. CLARK: Mr. Cicchetti, I want to get  
2 something clear. Do you want us to address one,  
3 two, three, four in our comments or, one, and then  
4 we will go to two? I am happy to do it any way.

5 MR. CICHETTI: You can do whichever way you  
6 please.

7 MS. CLARK: Okay. Well, I think -- I think we  
8 are here because the Commission does not believe  
9 the acquisition adjustment rule is working. I  
10 think the, as I recall, the call for looking at the  
11 rule came in when we were coming in and asking that  
12 the Commission defer the consideration from the  
13 time of transfer to a first rate case, because we  
14 felt like it was necessary for the acquiring  
15 company to have the opportunity to operate the  
16 company to see what is feasible, what is the most  
17 cost-effective. That's exactly what the Commission  
18 has done in the natural gas cases. So we think it  
19 makes sense to do it in water and wastewater.

20 And utilities, as someone said, you need  
21 certainty. Extraordinary circumstances does not  
22 provide certainty. It's very nebulous. And I  
23 think the evidence that it is not working is in 20  
24 years, no acquisition adjustment has occurred.

25 And if the Commission policy is to encourage

1 the purchase of these small utilities by larger  
2 viable utilities, acquisition adjustment is part of  
3 the way you get there. So I think they are  
4 connected. I disagree that they are not connected.

5 And I think you look at is the acquiring  
6 company a viable company? And by that, I mean, do  
7 they have the ability to operate both in the  
8 short-term and the long-term managerial, technical  
9 and financial expertise, economy of size, the  
10 ability to implement efficiencies that simply  
11 cannot be done on a smaller scale.

12 Mr. Cox has gone over some of the things that  
13 you would look at. I think you would look at is  
14 this a viable utility that wants to acquire, and is  
15 the utility being acquired really nonviable, either  
16 in the short-term or the long-term? And there are  
17 criteria, as he outlined, that Arizona has used,  
18 and I looked at a couple of states, and there are a  
19 couple of states you can look at where they say,  
20 here is -- here is sort of the indicia of a  
21 nonviable utility. And we will be happy to provide  
22 those in our postworkshop comments, but we think  
23 you should look at that.

24 I think, as far as number two, there have been  
25 a number of people that have talked about the

1 benefits of an acquisition adjustment. And I think  
2 the benefit is -- I think we are myopic, as Marty  
3 said, if we are you just looking at the time of  
4 transfer and what might happen; because I kind of  
5 disagree with Charles when he says, you should have  
6 empirical evidence.

7 Well, it's hard sort of to say, here is the  
8 empirical evidence of what's going to occur in the  
9 future. I mean, that's kind of what your  
10 acquisition adjustment policy comes down to, is  
11 without giving you the opportunity to gather that  
12 evidence, we are going to make a judgment on the  
13 evidence. That's how I see it.

14 As far as swapping assets, I think -- I am not  
15 sure that is as much of a problem as we think it  
16 might be, because if you are using the criteria of  
17 a viable company acquiring nonviable companies and  
18 then consolidating them, you won't have those  
19 swapping of assets between two viable companies.

20 As far as should the acquisition adjustment be  
21 addressed only at the time of transfer? We've  
22 stated over and over again we don't think that's  
23 appropriate. Now, I have heard Mr. Fletcher say he  
24 is concerned, or staff had said they are concerned.  
25 What about if we don't give -- or if we give an



1 acquisition adjustment, or we don't give an  
2 acquisition adjustment after the transfer and they  
3 decide they don't want to acquire the system and  
4 it's back on the market? I don't think that will  
5 happen, but if that's a concern, let the utility  
6 opt and say, I want a -- I want that decision now.  
7 I want to put on the evidence, and I want to be  
8 able to know whether or not you are going to give  
9 an acquisition adjustment. But we see the benefit  
10 in putting it off to the first rate case, or some  
11 other appropriate time.

12 MR. FLETCHER: If there is nothing else, the  
13 only -- I appreciate the dialogue and look forward  
14 to the -- oh, I am sorry, I will go after --

15 MS. BALLOU: I'm sorry. Just very quickly.

16 I just wanted to mention that NAWC has  
17 compiled the acquisition policies from other  
18 states, Arizona, Connecticut, Pennsylvania and  
19 others, and we would be happy to supply those in  
20 written comments if that's of interest to you.

21 MR. CICCHETTI: Yes, we would love that.  
22 Thank you.

23 MR. BRISÉ: And, Mr. Chair, Mr. Cartin has  
24 some comments.

25 MR. CARTIN: Sorry, Ron. I thought you told

1 me you were going to take the lead on the comments,  
2 but I think having clear defined criteria is  
3 extremely important for a utility looking to grow  
4 in the state. So it's important to reiterate the  
5 positions of the other members.

6 Thanks.

7 MR. BRISÉ: Yeah. And in addition to that, I  
8 think, as we stated earlier, that the more tools  
9 that there are in the toolbox, the greater  
10 opportunity for flexibility. And I think that's --  
11 that's one of the key points, that we need to have  
12 the flexibility so that as different situations  
13 arise, you can apply the appropriate tool based  
14 upon what the actual need is.

15 So I think as each of the presenters here  
16 today will address a variety of issues, and as the  
17 comments will come in after, you will recognize  
18 that a variety of options will be available. And I  
19 hope that staff and the Commission will take those  
20 into account and come up with a policy that really  
21 provides an opportunity to -- to have that  
22 flexibility available.

23 MR. CICCHETTI: Thank you, Ron.

24 MR. FLETCHER: Thank you for the comments, and  
25 I definitely look forward to reading the transcript

1           once this comes out, and then also your written  
2           comments.

3           As I take here, and it was actually mentioned  
4           back when the Commission looked at it in '89, the  
5           acquisition policy, is I think with all the  
6           prospectives here, the one most important thing is  
7           kind of like playing any game, knowing the rules of  
8           the game. That was stated back in '89, and that  
9           was stated by -- from a utility's representative  
10          perspective, is when you are negotiating for these  
11          systems, knowing the rules of the game, that helps  
12          out in the negotiation process to determine what  
13          purchase price.

14          It goes -- that goes hand-in-hand, and that  
15          was the most beneficial aspect is right now we have  
16          a rule. We are hearing from sides about where it  
17          might be and considering making it more flexible.  
18          We will take all of those comments into advisement,  
19          but at the end of the day, whatever that rule, is  
20          the players will know, the buyer and seller will  
21          know the rules of the game and it will help out in  
22          the negotiation process, I believe.

23          Thank you.

24          MR. CICCHETTI: Okay. I think that will allow  
25          us to go to question two: How can the Commission

1           ensure customers benefit from a positive  
2           acquisition adjustment if allowed?

3                     And what we are trying to get here is what  
4           would be the analysis that would go into  
5           determining that it's in everyone's best interest?  
6           I know we have things that are subjective. Better  
7           management. Better access to capital. But could  
8           we do something like a present value of the revenue  
9           requirements analysis and limit it to, let's say,  
10          five years? Because I think if you can't show with  
11          a water company that you can -- the customers are  
12          going to benefit within five years that I would  
13          question whether or not they would benefit at all.

14                    And by keeping it in the shorter timeframe, we  
15          are not able to postpone expenses, or push expenses  
16          off way out into the future where it would impact  
17          the net present value.

18                    So I was just curious if anyone had some ideas  
19          about what type of analysis. How we can keep it  
20          tight, but we don't want to forego any acquisitions  
21          that could be in everyone's best interest. So any  
22          thoughts on the analysis that would be, from a  
23          mathematical perspective, that could be done to  
24          show we should allow -- or the Commission should  
25          allow an acquisition adjustment?

1 Mr. Cox.

2 MR. COX: Yeah, I have seen a great policy in  
3 North Carolina, and that policy kind of revolves  
4 around investment. So, you know, the dollars  
5 invested in the system over a time horizon are a  
6 determinant on how much acquisition adjustment is  
7 allowed.

8 So for example, if you paid, you know,  
9 \$100,000 for a system, and in terms of an  
10 acquisition adjustment, you would have to -- you  
11 would have to invest \$100,000 matching inside the  
12 system, so it is a net benefit to the customer is  
13 one mechanism I have seen.

14 It's very literal, very transparent, and is --  
15 obviously shows the investment by the acquiring  
16 utility in service reliability and safety for the  
17 customers.

18 MR. CICCHETTI: Thank you.

19 Mr. Deason.

20 MR. DEASON: Just going along with that. One  
21 option that the Commission could use, if investment  
22 is required, holding the acquisition adjustment  
23 subject to verification that the investments that  
24 said that they were going to be made were actually  
25 made. So in other words, it doesn't kick in until

1           you verify the money was spent and the customers  
2           are benefiting from that investment.

3           MR. CICCHETTI: Any other thoughts? Mr.  
4           Rehwinkel.

5           MR. REHWINKEL: Well, when I heard you bring  
6           up the CPVRR analysis, I like the five-year horizon  
7           aspect of that. That resonated with me. The  
8           concern I have in the CPVRR analysis I have seen, I  
9           think from the consumer side, the biggest concern  
10          are the -- the cost bogeys that the person -- the  
11          entity that runs the analysis, they set up these  
12          costs to avoid that may or may not be real in terms  
13          of an environmental regulation cost.

14          Well, you set that up, and you give it a  
15          value. And then you say, this cost that we are  
16          proposing here will be less than that cost over  
17          that timeframe. But that cost may not necessarily  
18          be something that's going to manifest in that  
19          horizon.

20          Carbon taxes and carbon costs are a great  
21          example of that, that we have been hearing about  
22          the last -- you know, I know since 2006 in the  
23          nuclear sphere, and they never came about. That  
24          doesn't mean they are not going to happen. It's  
25          just are they going to happen in that horizon?

1           So I hear you about keeping it tight, but the  
2           more objective criteria you have about what these  
3           costs to avoid are probably the more buy-in you  
4           would have from this side of the equation, if that  
5           makes sense.

6           MR. CICCHETTI: Very much. Thank you.

7           MS. JABER: Mr. Cicchetti, if you, later on,  
8           refer back to Ms. Ballou's slide 8, the stool, the  
9           three-legged stool. Picking up on what Mr.  
10          Rehwinkel said, the broadness of looking at it from  
11          reliability, safety, affordability. A very  
12          customer centric response to that question is has  
13          the customer seen the benefit in technological  
14          investment? Can they pay on-line now? Can they --  
15          and are they receiving -- and I am using these as  
16          examples, right? But this is the level of detail  
17          you have required of natural gas and electric  
18          companies.

19          Have you made the technological investment?  
20          Have you -- have you grown in reliability? Are --  
21          are you enhancing your customer communication? Has  
22          the utility operation become safer? Is customer  
23          safety a focus of the utility?

24          So you can -- you can speak about it from a  
25          financial perspective, of course. You are the

1 economic regulator. But there is also the customer  
2 facing opportunities that I think you are able to  
3 capture in demonstrating whether the positive  
4 acquisition was in the public interest.

5 MR. CICCHETTI: And I agree. I think the  
6 Commission definitely should and will consider  
7 qualitative aspects. Do you have any comments on  
8 from a quantitative standpoint what the Commission  
9 should do?

10 MS. JABER: I think it was covered. You know,  
11 the quantitative, the way you hold the other  
12 industry players accountable is, we said we are  
13 going to make X amount of investment -- well, we  
14 are going to make this investment. We expect it  
15 will be this much. And has that investment been  
16 made, as you review it in a future rate case, has  
17 the investment been made, and what are the  
18 corresponding benefits?

19 So I would -- my only caution as a former  
20 policy-maker is to not be too wed to a range of  
21 dollars. It's not about the amount. It's about  
22 how the dollars were invested, and where the return  
23 is on behalf of the customer.

24 MR. CICCHETTI: Okay. Thank you.

25 MR. RENDELL: Just briefly. I would be



1 interested in seeing that type of analysis. I  
2 know, in one of my recent cases, I requested an  
3 acquisition adjustment which was denied. At the  
4 time we were able to show a cost savings. We were  
5 able to show better managerial, because the former  
6 owners were absentee owners, we were able to show  
7 that, you know, there was, you know, some cost  
8 benefit. We also have the on-line payment, but it  
9 was denied.

10 That's why I go back to, now we have an  
11 opportunity to come back and say, you know,  
12 everything we said was going to happen has happened  
13 because it's been decided, but that's why I get  
14 back also too, although, the rule does allow  
15 partial, it's never been implemented that, yes, you  
16 can get a partial acquisition adjustment. So I  
17 would be interested to see what type of cost  
18 benefit there is.

19 MR. CICCHETTI: And we would be happy to see  
20 what you would recommend.

21 I think we're going to --

22 MR. REHWINKEL: Can -- Troy, what was that --  
23 what case was that, so we can --

24 MR. RENDELL: Royal Waterworks.

25 MR. REHWINKEL: Royal?

1 MR. RENDELL: Yes.

2 MR. REHWINKEL: Oh, that was -- okay, that was  
3 in 2020?

4 MR. RENDELL: I believe so. Yeah.

5 MR. REHWINKEL: Yeah, that was docket  
6 20190170.

7 MR. RENDELL: I would take your word for it.  
8 I don't have it in front of me.

9 MR. REHWINKEL: Yeah. So, Mark, you know, I  
10 think it would -- it's important to me, the fact  
11 that an acquisition adjustment hasn't been granted  
12 is not necessarily proof that there is something  
13 not working. Because the goal isn't to, you know,  
14 have a stack of acquisition adjustments. It's to  
15 provide, you know, long-term benefits to the  
16 customers.

17 So I think it's as equally important to  
18 understand, well, did a denial of an acquisition  
19 adjustment mean that customers were then harmed?  
20 Did they -- did something fail because you didn't  
21 have an acquisition adjustment granted?

22 It would be good to have -- if people have  
23 evidence that that's happened, I would be happy to  
24 look at it, because I think that's the kind of  
25 information you should look at. You know, not only

1           are these postulated benefits there, but were there  
2           demonstrated harms that occurred because it didn't  
3           happen?

4                   I don't know, but it -- these are the folks  
5           that have that -- that evidence. They've -- they  
6           have been at the table and tried to buy a system.  
7           And, you know, to Jared's questions about the net  
8           book value of the system, it just wasn't a basis to  
9           negotiate a price. That didn't happen, and then  
10          look what happened to that -- to that utility. I  
11          don't know if -- it just seems like it would be  
12          something you would want to look at.

13                   MR. CICCHETTI: Thank you.

14                   We are going on two hours now, and I think we  
15          need to give our court reporter a break. So why  
16          don't we take a 10-minute break, and we will resume  
17          at 11:40.

18                   (Brief recess.)

19                   MR. CICCHETTI: All right. Everybody, our  
20          plan is going to be, before we take lunch, we are  
21          going to get through, or try to get through the  
22          acquisition adjustments portion. But before we  
23          start up, Mr. Gary Williams, with the Florida Rural  
24          Water Association, would like to make some brief  
25          comments, and we will take an hour 15-minute break

1           for lunch when we get through with the acquisition  
2           adjustment portion.

3                     Mr. Williams, you have the floor.

4                     MR. WILLIAMS: Thank you. Gary Williams,  
5           Executive Director of the Florida Rural Water  
6           Association.

7                     And sorry, I have a conflict, so I was going  
8           to have to leave. So I was going to say something  
9           this morning, but I thought I could stay longer, so  
10          I appreciate a couple of minutes to say hello and  
11          to thank you all for considering all of the  
12          subjects, and having an open mind to, you know,  
13          discuss it based upon what's best for the customers  
14          and the water utilities. So you are getting some  
15          really good input from all levels, and I think  
16          that's great.

17                    The only other thing I will say just, you  
18          know, a second is there has been some mention of  
19          things that happened in the past. Another one I  
20          want to bring up is, you know, the study commission  
21          that was established, you know, through some  
22          legislative stuff back in 2013, and had an  
23          extensive, like, year-and-a-half process of  
24          discussing a lot of these things and bringing some  
25          of the stuff forward, you probably have some

1 guidance there, you know, that was in that study  
2 commission report that probably gives you  
3 additional flexibility to make, you know, some  
4 modifications in support of some of the things that  
5 were brought forward there.

6 And I will just say, for example, you know,  
7 the reserve rule was set up as a tool. And I think  
8 if we made some adjustments in some of that reserve  
9 for it to be more usable and encouraged for  
10 contingency for any -- to support reliability on  
11 sustainability of water utilities, that would be a  
12 positive thing.

13 I was going to say that, but I am sorry, I am  
14 going to have to take off. And I think y'all are  
15 doing a great job, and thank you.

16 Y'all probably know this, but I will mention  
17 this in closing. So Florida Rural Water, we are a  
18 trade association. You know, we have 2,200 water  
19 utility members in Florida, many of them being  
20 private for-profit systems. So we work with them  
21 closely. We want to help them in any way we can.  
22 And we appreciate the open-minded discussion on all  
23 the topics you have laid out.

24 Thank you.

25 MR. CICHETTI: Well, thank you, Mr. Williams.

1 Thank you for being here, and safe travels.

2 MR. WILLIAMS: All right. Thank you.

3 MR. CICCHETTI: Okay. Getting back to the  
4 acquisition adjustment issues. I believe Ms. Clark  
5 made a good point. Swapping assets is probably  
6 more of a fair market value issue than it is an  
7 acquisition adjustment issue because we have  
8 certain criteria with the acquisition rule --  
9 acquisition adjustments rule. But does anyone have  
10 any comments with regard to swapping assets? If  
11 not, we will talk about acquisition adjustments  
12 being addressed at the time of transfer.

13 Okay. Should acquisition adjustments be  
14 addressed only at the time of transfer at the  
15 utility's next rate case or at a limited time after  
16 the transfer of assets?

17 Any comments?

18 MR. FRIEDMAN: I will jump in. Marty  
19 Friedman.

20 I think it should be discretionary with the  
21 utility. You now, the rule speaks, if you look at  
22 the definition of extraordinary circumstances, it  
23 says anticipated this, anticipated that, antici --  
24 you know, before each of these criteria to be  
25 considered, it says anticipated, which means that

1           it's something that has not yet occurred.

2           There may be -- and I think that probably,  
3           like in the instance that Troy mentioned, the rule,  
4           even as it's written, there are times when there  
5           are extraordinary circumstances. I think that  
6           maybe the Commissioners have taken a too stringent  
7           view on what has to be shown to show that you are  
8           going to increase compliance or regulatory  
9           mandates, or rate stability. I think that maybe  
10          there is too strict an interpretation of what those  
11          things may be, and maybe a loosening of that would  
12          also help.

13          But I -- but I think -- because depending upon  
14          the transaction, sometimes the utility is going to  
15          need to know at the time of the transfer whether  
16          they are going to get an acquisition adjustment or  
17          not. The sale may be dependent upon it. The  
18          contract may say, if we don't get an acquisition  
19          adjustment, we are not going to do the sale. So  
20          there may be circumstances where they want to do  
21          that.

22          There may be other circumstances, like Susan  
23          mentioned, that they want to say, look, we will  
24          show you. We will show you there is going to be a  
25          benefit, just give us some time to do it. And, you

1 know, kind of -- the Commission has kind of shut  
2 them down on that. It's kind of been an  
3 all-or-nothing at the time of transfer, and then  
4 the standard is so high at the time of transfer  
5 that you can't ever meet it anyway.

6 So I think that there should be discretion  
7 with the utility as to whether they want to do it  
8 now, if they need to have finality; or if they want  
9 to do it some point in the future where they can  
10 convince you, yep, we are going to -- we are going  
11 to actually do what we say we are going to do.

12 MR. CICCHETTI: Mr. Rehwinkel, you -- I'm  
13 sorry.

14 MR. REHWINKEL: Follow the rules.

15 MR. CICCHETTI: Okay.

16 MS. CLARK: I just -- I will let Mr. Cox say  
17 something, but I want to point out that a couple of  
18 things that, Bart, I am sorry you have heard me say  
19 this a million times, but bear with me one more  
20 time.

21 The statute doesn't require that it be made at  
22 the time of transfer. In fact, they specifically  
23 made it discretionary after it was required. I  
24 think it hinders the Commission. It denies them  
25 some flexibility the statute gave them to decide do



1 we want to make it now, or do we not want to make  
2 it now? But I agree with Marty, that I think it  
3 should be up to the utility to say, we really need  
4 to know now, or we would like to have the  
5 opportunity to show it to you.

6 The customers are not harmed by putting off  
7 that acquisition adjustment. The rates are not  
8 going to change. The utility still has to show the  
9 same criteria regardless of when the time is that  
10 the decision is made.

11 And I still believe that allowing the time to  
12 look, actually look and operate the utility gives  
13 you the ability to get the imperial -- empirical  
14 evidence to make your case. Otherwise, pushback is  
15 always, well, they are predicting that. They think  
16 they are going to do that. I just -- it's an  
17 impossible standard to meet. I just -- the  
18 criteria would not change. It's just the  
19 opportunity to gather the evidence to show that  
20 they've met the criteria.

21 As far as adding to the criteria as well, one  
22 of the things I think we failed to look at is here  
23 are the issues with the existing utility. You  
24 know, the billing isn't being done. There is  
25 periodic issues with meeting criteria, or issues

1 with having the capacity to do -- to treat sewer  
2 effluent. There is problems with actually having  
3 supply for water. Will this new company be in a  
4 better position to remedy those problems? That's  
5 benefit to customers.

6 MR. COX: Yeah, just to add some, you know,  
7 thoughts on that. You know, one, like we said  
8 earlier, rules-based system that kind of talks  
9 about the investments that are required to ensure  
10 safe and reliable service, right. And then, you  
11 know, owning the system and showing you are doing  
12 those investments obviously allows for future  
13 recovery adjustment.

14 I think more than that, I think one of my  
15 colleagues said this earlier. When we buy these  
16 systems, a lot of the regulatory compliance is  
17 self-reporting, right? And so, for example,  
18 sanitary sewer lift stations, they are overflowing  
19 and, you know, untreated waste is going to create  
20 -- well, the operators is to go and alert the State  
21 that that is happening, you know, or are minimum  
22 chlorine levels being added and tested every day?  
23 Well, it's not the State doing the tests. That's  
24 the owner doing the tests on a daily basis.

25 And what we are seeing over and over again

1           when we buy these utilities, there is no way those  
2           historical records -- those historical records are  
3           correct. So we take over the system and realize  
4           these lift stations have been overflowing  
5           routinely. They've got failed pumps. They are not  
6           maintaining minimum chlorine levels. They are not  
7           maintaining minimum treatment levels. But we are  
8           asked to provide empirical evidence that we cannot  
9           provide at the time of purchase because we are not  
10          operating the systems, and these utilities are  
11          self-reporting.

12                   And so if they have the opportunity to come  
13          back and to prove the testing results to show the  
14          actual condition of the assets as they were  
15          functioning after own them is really necessary,  
16          because, otherwise, we don't have the ability to  
17          see through to those things. So that's just  
18          another point.

19                   MR. CICCHETTI: One of the things that comes  
20          you with staff is when we see systems that are  
21          purchased for way more than book value. And we are  
22          thinking, well, you would think the value of this  
23          system is in the fact that it's going to be  
24          regulated at original cost, and so why would  
25          somebody pay so much more than book value for that

1 system? And the concern being that we don't want  
2 to increase rates unnecessarily to customers simply  
3 because the name of the utility changed, the name  
4 of the system changed.

5 Can anyone provide any insight into why that,  
6 you know --

7 MR. COX: I got one insight into that.

8 So, you know, Mr. Fletcher, you said something  
9 earlier about this, about you set the rules and  
10 that will set the terms of negotiation. And  
11 unfortunately, that's just not true. And the  
12 reason for that is because the perverse incentives  
13 that the owners have currently.

14 So the owners are not reinvesting in their  
15 systems for a long period of time, but they are  
16 very good at doing inflationary adjustments, right?  
17 Salaries, chemicals, expenses. So they are  
18 allowing the systems to degrade, you know, to the  
19 point that they are in danger of failing, but they  
20 are still pulling money out of this them, right?  
21 And especially for small owners, it could be a  
22 considerable amount of money.

23 So you are a mom and pop owner. You work  
24 there. Your wife works there. Your kids work  
25 there, right? You are pulling \$400,000 or \$500,000

1 of salaries. You expense your trucks. You expense  
2 your insurance, all of that gets caught ratepayers  
3 -- from ratepayers. So the net -- the net benefit  
4 from that small utility that's got a net book value  
5 of a \$100,000 is \$700,000 or \$800,000 a year to  
6 that family. And that family is not going to sell  
7 that system regardless of what is said in terms of  
8 here's the negotiating, you know, factors. Here is  
9 the, you know, two parties, because the -- the --  
10 it's reflected in the actual return to the owners,  
11 right?

12 And I believe you heard from the other utility  
13 earlier, land values are a big piece of this,  
14 right? And, you know, you would say my experience  
15 across the country, you know, were land values  
16 originally booked correctly? Were they  
17 contributed? I mean, there is a bunch -- I think  
18 especially the older utility is, is a very gray  
19 area. But it's another example, because people,  
20 especially in Florida, because it is a growing  
21 state, they are very clearly aware of what property  
22 values are, and so that's not accurately reflected  
23 from a book making standpoint.

24 So those are the kind of things that distort  
25 the market, right? And you have to take into --

1           into consideration, because you need these guys to  
2           get bought. They are running failing utilities.  
3           Some of them are falsifying records. They are  
4           paying themselves. So they are paying themselves  
5           right now, the customers paying for a service they  
6           are not receiving. And I think those are the kind  
7           of things that you want to encourage when you do  
8           acquisition adjustments to encourage consolidation.

9           MR. CICCHETTI: If I could have a follow-up  
10          question, Mr. Cox.

11          When you look at the land, and the owner says,  
12          well, land in Florida, or anywhere really, has  
13          appreciated so much more. Is there option to move  
14          the utility in order to monetize that increase in  
15          value?

16          MR. COX: Yeah. So the moving the physical  
17          structure for us, at least for our company, right?  
18          We are really big on trying to utilize as much of  
19          the existing equipment and refurbish it as  
20          possible, because that's the lowest impact to  
21          ratepayers, right?

22          So we have become kind of subject matter  
23          experts. We only have 800 systems across the  
24          country. I think we are the single largest  
25          individual domestic wastewater treatment plants in

1 the United States, and so we have really perfected  
2 the technique in going in doing structural  
3 reinforcement, doing novel technologies to be able  
4 to convert activate sludge plants and moving the  
5 bioreactors, and all that kind of stuff.

6 And why I say all that is because physically  
7 moving that plant is dramatically more expensive  
8 than fixing the plant in place and paying for the  
9 property to the existing owner. I mean, there is  
10 radically no -- there is no comparison on those  
11 two.

12 MR. CICCHETTI: I am trying to get at why does  
13 the utility owner, when it's a regulated utility in  
14 an original cost state, think that they should get  
15 the market value of the land?

16 MR. COX: These -- these are business people,  
17 right? And as you -- as you have seen, you have  
18 been before the Commission, they are not coming in  
19 regularly to raise rates. You know, they actually  
20 view their business as a cash business, not as a  
21 regulated utility. That's not how they see it.

22 And these are mom and pop owners. They are  
23 former developers or they are -- it's a family  
24 business. They were well drillers. I mean, you  
25 can just go on and on. So they actually don't

1 think of themselves as a regulated utility, like we  
2 all think about it, as we are kind of regulated  
3 nationally. They see themselves as a cash business  
4 providing a benefit to their -- their owners.

5 MR. RENDELL: I mean, that's correct. I can  
6 echo that too. I mean, a lot of them, they are  
7 family owned and they are paying themselves before  
8 they are putting money back into the plant. So the  
9 plant continues to deteriorate, and then they are  
10 faced with, oh, my gosh, I got to spend, you know,  
11 hundreds of thousands of dollars to rehabilitate  
12 this. I don't want to do that, and I can't get the  
13 loan, so I am ready to sell. But then you look at  
14 the net book value and it's \$28,000, or it's  
15 \$80,000. And they are like, well, we want at  
16 least, you know, half a million dollars.

17 Well, those are the things -- every decision  
18 we make is based on the customers, and what the  
19 impact is to the customers, so we have passed on  
20 some of those.

21 But it's true. They are not putting money  
22 into it, but now, with the age of the  
23 infrastructure and the new requirements under DEP,  
24 they just don't have the cash to do it any longer,  
25 and they are ready to get out and move on and enjoy



1           their lives.

2                   Can you move the plant? But yes, then you  
3           still have to buy land. And then if is that  
4           plant's net depreciated value is \$50,000, and you  
5           have to build another \$250,000 plant, that's a big  
6           impact to the customers. So, you know, we have to  
7           keep that in mind. What's the impact to the  
8           customers?

9                   MR. CICCHETTI: Mr. Rehwinkel.

10                   MR. REHWINKEL: So I appreciate, Mark, you  
11           using the term original cost state. We are going  
12           to say that a lot in this process, and I think that  
13           needs to be the polestar.

14                   The folks who get into these systems, they  
15           know those are the rules going in, or they should  
16           know, you know, with respect to the land piece.

17                   You know, your acquisition adjustment policy  
18           is somewhat subjective in terms of what does the  
19           word extraordinary mean. And we've heard proposals  
20           today, which I think would loosen the objective  
21           standard of original cost in the context of what an  
22           acquisition adjustment or extraordinary  
23           circumstances mean, it would start to loosen that  
24           more and more, which goes against the grain of  
25           certainty.

1           We've heard people talk about they want  
2           certainty. Well, certainty is not to be found in  
3           subjective standards, but the real point I want to  
4           make about the timing, which is question number  
5           four, is I think that if the utility -- they can't  
6           have it both ways. If they know that there are  
7           benefits, synergies or operational benefits that  
8           they can bring to this acquired system that will  
9           enure to the benefit of the customers, they should  
10          know that before they sign on the dotted line to  
11          have that purchase agreement done to bring it to  
12          you guys. And if they know these facts, they  
13          should be able to tell them to you at the time of  
14          transfer.

15                 There is no reason to wait and hope that the  
16                 solution -- that the benefits materialize down the  
17                 road. Put all your facts on the table right now  
18                 and then. That's been your policy. And again,  
19                 that needs to be bumped up against the objective  
20                 standard of what original cost state means.  
21                 Because you are asking to depart from the original  
22                 cost standard, which is the law in Florida.

23                 So I don't think it should be willy-nilly, you  
24                 know, we'll just look at it down the road and we  
25                 will bring it back to you. You should know now.

1           So we are going to strongly be in favor of that  
2           being a fundamental principle that underlies  
3           anything that you do in this process some at the  
4           time of transfer, at the time you are asking the  
5           Commission to approve the transfer.

6           MS. JABER: Mr. Cicchetti, I wonder if you  
7           mind if we come back to me for just a minute. Do  
8           you mind if I --

9           MR. CICCHETTI: I just have a quick follow-up  
10          question for Charles on that exact point.

11          Ms. Clark mentioned that rates haven't gone  
12          up, so there would be no harm to ratepayers. And  
13          if down the road it was decided that, yes, these  
14          savings did occur, and an acquisition adjustment  
15          should be allowed in the interest of at least  
16          saying this could be an incentive to provide  
17          investment in Florida, what would your response to  
18          that be?

19          MR. REHWINKEL: Well, I think, you know,  
20          customers in this state still have the right to  
21          appear and participate in the transfer process.  
22          They are the ones that own the houses that are  
23          served. They are -- they should have, and it's  
24          part of their rights to know what their future is  
25          going to be like. They should have an idea of what

1           their rates are going to be like.

2           You just had a huge case down in Little  
3           Gasparilla Island where, you know, people were  
4           faced with rates going up a lot. So a lot of them  
5           participated because they were concerned about  
6           that. And that wasn't an acquisition adjustment  
7           case, but nevertheless, that's the time when they  
8           -- they are entitled to know what their future is  
9           going to be like.

10           So I think it -- it's kind of beside the point  
11           about when rates will change, because I think this  
12           is the time when you are making the decision.

13           MR. CICCHETTI: Ms. Jaber.

14           MS. JABER: So to go back -- please, Marshall.  
15           Please.

16           MR. WILLIS: I just wanted to add in here that  
17           I have heard the comments that customers are aren't  
18           harmed if you delay the actual determination of a  
19           positive acquisition adjustment, but I disagree.  
20           They are, because the only time a customer can  
21           object to someone buying a system that's going to  
22           cause their rates to go be dramatically at the time  
23           that the Commission says you can buy it.

24           And if you separate the actual transfer of  
25           this utility company and the actual acquisition

1 adjustment into two separate proceedings, the  
2 customers later on can't object to this transfer  
3 when they find out the rates are going to go up  
4 100 percent because of an acquisition adjustment.

5 If they don't know upfront, you are taking  
6 away that ability of them to actually come in and  
7 say, this is not good for us. This is not good.  
8 It's not going to be good at all. So, yes, there  
9 is harm, you know, there will be harm to a  
10 customer.

11 MR. CICHETTI: Ms. Jaber.

12 MR. REHWINKEL: That was Marshall Willis for  
13 the record.

14 MR. WILLIAMS: I'm sorry.

15 MS. JABER: Mr. Cicchetti, not to speak on any  
16 one utility issue. Just to go back to your  
17 original question from an NAWC and state commission  
18 advocacy perspective. You asked a good question,  
19 why would a company sell not based on original  
20 cost, I think. And good question.

21 I think an alternative question would be  
22 better coming from the state commission, which is:  
23 How do we, as a state commission, encourage these  
24 utilities to sell?

25 And here's why I say that. We can't answer

1 the customers' questions if we don't have the  
2 narrative in our mind of why we are doing what we  
3 are doing.

4 Why would a state commission want that utility  
5 to be sold? It's because economies of scale. The  
6 long game of making the investment that benefits  
7 the entire customer base. It's because when you  
8 add customers, more customers to spread the costs  
9 through, right? And so the ability of the  
10 acquiring utility to then leverage the investment  
11 for cheaper labor, cheaper costs, we've got to be  
12 able to have that right in our own mind, so that  
13 when you or the utilities are meeting with the  
14 customers, that can be explained.

15 So it's not why would they sell or why  
16 wouldn't they sell? It's what do you need to know  
17 to encourage them to consolidate?

18 MR. CICCHETTI: Okay. I think -- any other  
19 comments on that?

20 MS. CLARK: I just wanted to respond to the  
21 notion of them objecting at the time. They need  
22 the ability to know what the acquisition adjustment  
23 is at the time of transfer so that they can object  
24 to it. Well, then what will the Commission do? Is  
25 that a basis to deny the transfer when all the

1 other criteria of the transfer are met?

2 It seems to me that on, you know, under the  
3 APA, you have to show that you are adversely  
4 affected by a decision. And I don't see how not  
5 making the decision then results in an adverse  
6 impact. They will still have the ability to say,  
7 we don't think the acquisition adjustment should be  
8 granted. It's the same whether it's in a transfer  
9 case or whether it is in a rate case after it. So  
10 there is really no basis to claim that they are  
11 adversely affected by putting off the decision.

12 MR. CICCHETTI: Okay. If we could go to the  
13 next slide, Michael.

14 I would like to take five and six together  
15 here. What are the appropriate criteria and timing  
16 for addressing acquisition adjustments after the  
17 time of transfer? What conditions, if any, should  
18 be placed upon the approval of an acquisition  
19 adjustment that would be subject to review in a  
20 future proceeding?

21 Any comments on either of those?

22 MR. COX: I mean, I think we have hit this in  
23 previous discussions about the appropriate  
24 criteria. I think, you know, the amount of  
25 investment needed, you know, the state of the

1 assets, the state of the ownership, all of that, I  
2 this think those are the kind of -- when we talk  
3 about other states having great policies that  
4 outline all of that I think is kind of what we  
5 think -- we think the appropriate, you know,  
6 criteria is.

7 MR. CICCHETTI: Okay. And then if an  
8 acquisition adjustment is going to be -- Mark,  
9 would you like to jump in on this about if it's not  
10 approved, if it's -- I forget the term that you  
11 mentioned to me.

12 MR. FUTRELL: This is Mark Futrell with the  
13 PSC staff.

14 I guess what I was -- you and I were  
15 discussing was number six, specifically about  
16 conditions. And I know Mr. Rendell mentioned  
17 something earlier about this notion of setting  
18 conditions early in the process. If they have  
19 something that was of interest just to see if there  
20 was -- more color could be brought to that idea, of  
21 what kind of specifics as far as data that could be  
22 presented to the Commission to establish some  
23 conditions for review in the future.

24 MR. RENDELL: The only thought I had is I  
25 think the conditions should be set at the time of



1 transfer. If you approve or don't approve it, or  
2 say you are going to approve it or look at it in  
3 the future, just those conditions should be set,  
4 you know, that you have, whatever, decreased  
5 operating costs. You can bring in better  
6 managerial. You are going to have better customer  
7 service. You are going to invest X, Y and Z and  
8 bring it up to standards.

9 You know, as several people said, sometimes we  
10 don't know until we get in there; because, you  
11 know, during the due diligence, you try to uncover  
12 as much as possible. You get a good feeling if  
13 it's going to be, you know, a good acquisition or  
14 not. Sometimes it's not until after you get in  
15 there. It's like, oh, well, I didn't realize this  
16 at the time.

17 But I think, if anything -- and I don't have  
18 any specifics, it just needs to be identified, so  
19 if the transfer is approved and we will look at  
20 acquisition adjustment in the next rate case, or  
21 two years, or five years, whatever; because I have  
22 seen, you know, one or two years if the cost  
23 savings didn't occur, but these are the things we  
24 are going to be looking at.

25 Now, obviously, during that -- between the

1           time that that order is issued and you are looking  
2           at there could be extenuating circumstances. A  
3           plant could blow up, whatever, that the capital  
4           dollars then have to be addressed to the emergency  
5           recovery, but those could be addressed in a future  
6           case.

7           MR. CICCHETTI: And finally, the last --

8           MR. COX: Just a couple, we like imperial --  
9           empirical criteria. So can we prove that the  
10          wastewater we are providing is a better quality  
11          than at the time of acquisition? And those are  
12          numeric values, you know. Can we demonstrate  
13          capital invested over and above the original  
14          ownership invested, especially in the compressed  
15          timeframe so that we are putting resources to work  
16          on that? And we can show operability. So, you  
17          know, less boil water notices, you know, less loss  
18          of services, all of those I think are great factors  
19          to bring in in terms of to have a future  
20          acquisition adjustment awarded.

21          MR. CICCHETTI: Any other comments on positive  
22          acquisition adjustments?

23          Our final item addresses negative acquisition  
24          adjustment. Usually, if a system is selling for  
25          less than book value, it's either a troubled system

1 or it's fully depreciated. And I guess the  
2 question would be if someone could purchase a  
3 system below book value, why shouldn't book value  
4 be used to set rates?

5 That would mean that it would adjust the  
6 current Commission policy. What comments do we  
7 have regarding that? Any thoughts, ideas? Is  
8 anybody opposed, in favor?

9 MR. RENDELL: I mean, obviously, we would be  
10 in favor of that, because, I mean, we had a couple  
11 of very large negative acquisition adjustments, but  
12 the customers benefited from it. You know, it was  
13 a utility was leaving the state of Florida, and  
14 there was some stragglers that didn't want to be  
15 purchased either by the counties or an FQA  
16 government, so to make the transaction happen so  
17 that they could leave the state, we ended up  
18 purchasing them, and we purchased them for less.  
19 But the value of that plant didn't change because  
20 we purchased it, you know.

21 And like I said, then we had to come back in  
22 anyway and get increased rates because the  
23 acquisition adjustment amortization expired, and it  
24 caused a tremendous impact for the utility, so -- I  
25 mean, I would entertain that, you know, some kind

1 of a hybrid, or that, you know, the net book value  
2 shouldn't change.

3 MR. CICCHETTI: Any other comment?

4 MS. CLARK: I would -- I would just say I  
5 would agree with Troy, and I am watching with  
6 interest the case where, you know, the adjustment  
7 goes away and now the customers are facing rate  
8 increases, and I don't think that's what you want.

9 I will be perfectly frank. When I was on the  
10 Commission, I thought, you know, if you can drive a  
11 good bargain, the rates are not going to change to  
12 the customer, it is incentive for you to take those  
13 over, but ultimately, the Commission decided  
14 otherwise. I don't think it's a bad policy. But I  
15 think a better policy is to say no negative  
16 acquisition adjustment, but that's really a  
17 philosophy in terms of encouraging incenting taking  
18 over that, and trying to get the best price you  
19 can.

20 MR. REHWINKEL: I am willing to wait until  
21 the --

22 MR. CICCHETTI: Do we have someone else?

23 MR. REHWINKEL: I mean, I have an opinion, but  
24 I didn't know if you were --

25 MR. CICCHETTI: No, I think -- I think you

1 have the floor.

2 MR. REHWINKEL: Okay. So this is one we  
3 probably feel pretty strongly about. I know when  
4 Troy had a recent case where, you know, the bill  
5 came due, we did not -- you know, we were  
6 supportive of that in term of the regulatory  
7 treatment of that, because that's the rule.

8 Of course, that was a compromise that was  
9 worked out in a very contested negative acquisition  
10 adjustment element of the rule. We would prefer to  
11 see the amortization, you know, go out in time and  
12 not have that steep uptick there, but that was a  
13 compromise that worked out.

14 If there are rough spots that need to be  
15 worked out, now that we've had some experience with  
16 it, we are willing to sit down and address that.  
17 But we -- we definitely have strong feelings that  
18 the negative acquisition adjustment, the new -- the  
19 policy is generally correct, so we would be  
20 supportive of that.

21 MR. CICCHETTI: Okay. Thank you.

22 MR. HETRICK: Mark, Keith Hetrick, General  
23 Counsel with staff of the Commission. I have a  
24 question on this negative acquisition adjustment, I  
25 guess for Lila.

1           Lila, you mentioned that you have policy in  
2           some other states on acquisition adjustments,  
3           positive acquisition adjustments, per se. When we  
4           did research a few years ago, I believe we found  
5           that Florida might be the only state in the nation  
6           with a negative acquisition adjustment. And as  
7           we've looked at negative acquisition adjustment,  
8           the concept didn't seem to have parity with at  
9           least the notion behind positive acquisition  
10          adjustments. In other words, it was negative  
11          acquisition adjustments do nothing -- they are  
12          troubled systems, they do nothing, per se, for the  
13          utility the way we have them structured, and, on  
14          the other hand, all they are is a windfall to  
15          customers.

16                 So the utility that receives a negative -- or  
17                 buys something for less than book value and gets a  
18                 negative acquisition adjustment, receives that,  
19                 there is no incentive in our policy to reinvest in  
20                 that system to at least recognize that book value.  
21                 That's kind of one issue.

22                 But I am more curious, on a larger scale, how  
23                 Florida could be such an outlier on this concept.  
24                 There are many states across the nation, maybe the  
25                 majority of states have positive acquisition

1 adjustments and various policies associated, but  
2 none with negative. So that, to me, is  
3 troublesome.

4 MS. JABER: So, you know, yes and no, right?  
5 Every policy in its time, which is -- I am going to  
6 sound like a broken record on this. In its time,  
7 there was a internal view to look at parity as it  
8 related to our own practices and policies. And  
9 former Chairman Clark can probably speak to this  
10 better than I can, but you are correct, it is an  
11 oddity among state regulatory policy, but I think  
12 this is why, Mr. Hetrick, it's because it is  
13 expected that those savings will enure to the  
14 benefit of the customers. So not a windfall, but  
15 that there is a benefit that the customers will  
16 immediately see.

17 Now, that doesn't mean that practice has to  
18 continue here. You have flexibility, right? What  
19 does the Public Service Commission enjoy? We have  
20 general ratemaking authority here at the Florida  
21 Public Service Commission, where other states are a  
22 little more restrictive. You have courts that  
23 provide agency discretion with appropriate evidence  
24 being met. There are things you can do around the  
25 negative acquisition adjustment that require or

1           incent companies to put particular savings toward a  
2           dedicated service to the customer, right?

3           So for years, this same commission, this is  
4           the commission that was innovative in settlement  
5           process, and pools of money where we would take a  
6           pool of money and require the utility to invest it  
7           maybe in a conservation program, or water -- wise  
8           water use policy program, right?

9           There is -- this doesn't have to be the -- you  
10          know, what is it they say -- the end-all of how you  
11          address the negative acquisition adjustment  
12          circumstances. So I think you can get to the same  
13          place. You want to incent the companies toward a  
14          more structured consolidation process that has  
15          appropriate consumer protections with the  
16          Commission making sure that you have got the sticks  
17          in place to hold the companies accountable, but  
18          with the left hand, you can also encourage  
19          companies to be innovative and creative to enhance  
20          their customer focus.

21          MR. HETRICK: So I think you have said that  
22          very articulately. And any ideas, specific ideas  
23          that y'all have on negative acquisition  
24          adjustments, if that's meaningful to companies that  
25          can be used in any way that provides incentives,



1 but also adequately protects customers right now.

2 I don't think our policies right now  
3 necessarily do much for customers in terms of  
4 increasing the investment in that system, which  
5 benefits customers. So that is certainly part of  
6 the equation. We have to look at this from the  
7 customers' standpoint, but any ideas you have,  
8 Troy, or any of you, Susan or Lila, on, Ron, on  
9 negative acquisition adjustments would be helpful.

10 MR. REHWINKEL: From the Public Counsel's  
11 standpoint, Keith, I just fundamentally disagree.

12 You can look at the rule and you can see that  
13 the rule is a ghost of really what the acquisition  
14 adjustment -- the negative acquisition adjustment  
15 policy that had been litigated in the past was;  
16 because, I mean, you got to be below 80 percent of  
17 the book value for it to even be recognized, and  
18 then it's only recognized for seven years, or half  
19 of it for seven years.

20 So it's -- it's just -- you know, you have to  
21 think about it from the customers' standpoint.  
22 These are systems where the customers paid and the  
23 owner did not invest in the system, and so you --  
24 you had a situation where it was run into the  
25 ground, and so book value was up here and purchase

1 price was down here.

2 And -- I mean, you have heard evidence that it  
3 has provided benefits to customers to have it. I  
4 don't know that anybody has made a case that there  
5 is a real problem to fix by repealing it. This was  
6 -- this was a product of, you know, hand-to-hand  
7 combat kind of negotiations, and back and forth  
8 back in the day. And this was a compromise that  
9 was agreed with the utilities and the Public  
10 Counsel, and the staff in this process.

11 So I would urge that if this isn't -- if this  
12 isn't really causing problems, I don't think it  
13 ought to be addressed, because it was painful thing  
14 to get to just this point here. And just because  
15 they don't do it in other states doesn't, you know,  
16 doesn't mean that there is something wrong with it.  
17 Because it does recognize that the customers were  
18 harmed by the way the own -- the previous owner ran  
19 the system.

20 And -- and these -- and the improvements to  
21 get the system back up to speed, those are 100  
22 percent visited on the customers. There is no  
23 sharing of that. So if somebody comes in and pays  
24 and then builds the system back up, they get the  
25 full return on that. So I just don't think it's a

1           problem to -- to -- that needs focus in this  
2           process.

3           MR. HETRICK:   And so, Charles, all I am asking  
4           these companies, if it is, and if there is a way to  
5           improve upon it, it's not necessarily repeal.  
6           That's certainly an option.   It could be modify.  
7           It could be modify in a way that it becomes a tool  
8           to get these systems out of the ground instead of  
9           just sitting in the ground for seven years.   So I  
10          am just -- we are just looking for ideas here.  
11          That's all.

12          MS. CLARK:   Mark, I would -- I would just ask  
13          that when you do that, you look at another aspect  
14          of it.   Is it worth the regulatory cost?   I mean,  
15          you have to -- you have to track these things.   You  
16          know, they have to come in and apply for these --  
17          well, they have to go through the negative  
18          acquisition, I guess, process.   And then there are  
19          regulatory costs to tracking them, and to what  
20          benefit?

21          I think if -- going back to what are we trying  
22          to do?   We are trying to incent larger utilities to  
23          take over these smaller utilities, these nonviable  
24          utilities.   That is one way to do it, which has no  
25          impact on the customer because it doesn't change

1           their rate base. And it, in fact, brings in a  
2           company that will remedy the things that make it  
3           nonviable, and I think you do have a question on  
4           reducing regulatory costs.

5           I guess, you know, one of the things that I  
6           have thought about is your reserve fund. It's my  
7           understanding nobody uses it. It's -- it's too  
8           regulatory intensive, and you might ask yourself  
9           the same thing about the negative acquisition  
10          adjustment.

11          MR. CICCHETTI: Okay. Any further comments on  
12          negative acquisition adjustments?

13          Seeing none, I want to thank everybody for a  
14          very frank and fruitful discussion this morning.  
15          It's been very beneficial. And we will take an  
16          hour and 15 minutes for lunch, which would put us  
17          back here at 1:35. We will see you then.

18          (Lunch recess.)

19          MR. CICCHETTI: Welcome back, everyone. I  
20          hope everyone enjoyed their lunch. I think the  
21          second half of this program will go a bit faster.  
22          I expect it will.

23          Michael, if you could go to the next slide.

24          Okay. What we are going to talk about now is  
25          the allowed return on equity. And we are going to

1 go page by page here, and if you have any comments,  
2 please, you know, give me an indication that you  
3 would like to speak, and we are not going in any  
4 particular order.

5 Should the Commission consider a time limit  
6 ROE adder for infrastructure replacement  
7 investments? And should the Commission consider an  
8 increase to the midpoint or an expansion of the  
9 traditional ROE range?

10 And this, keep in mind, is to provide an  
11 incentive to invest in infrastructure in Florida.  
12 Anyone have any comments as the -- about the ROE  
13 mechanism be an incentive for investment in  
14 Florida?

15 And I know, in the past, it's been brought up  
16 that sometimes with these smaller utilities, an  
17 increase in the ROE is doesn't really produce that  
18 large of an hinge.

19 So I think I saw Mr. Deason.

20 MR. DEASON: Yeah, I just want to speak in  
21 general about the ROE. This is something I have  
22 testified on in rate cases in other states. And  
23 one of the things I look at is I look at, you know,  
24 risk versus return. And going back, you know, for  
25 years, ROE back to Hope and Bluefield, where there

1 is supposed to be a consistency as far as, you  
2 know, the ROE that you get should reflect the risk  
3 that you have. And frankly, I really don't see it  
4 in Florida.

5 If you look at the leverage formula as it sits  
6 now, and compare it to, say, even the most recent  
7 -- what staff is recommending in the most recent  
8 natural gas case, there is -- there is a pretty  
9 significant discrepancy. And the PSC has said in  
10 numerous occasions that water and wastewater  
11 utilities typically have more risk than an electric  
12 or a natural gas utility.

13 For example, we talked about some of them  
14 earlier, we are more capital intensive. Our  
15 depreciation rates are lower. Our revenues tend to  
16 be more volatile. And just over all, the risk of  
17 overall business failure is far greater.

18 And looking at the leverage formula, just for  
19 example, my company, if you were to apply the  
20 leverage formula as it sits today, it would be, I  
21 think, 9.6, okay. The one they just recommended  
22 for a less risky natural gas was 10.25. That's a  
23 65-point basis -- 65 basis points discrepancy.

24 Now, I guess even more extreme if you take a  
25 mom and pop, let's say a mom and pop, and let's

1           assume they don't have any debt, okay. Now,  
2           granted, I will give you that, you know, there is  
3           -- financial risk is not there with the mom and  
4           pop. But as far as the business risk that we just  
5           talked about, it's far, far greater than any  
6           publicly traded natural gas utility, but yet there  
7           is a 240-basis points discrepancy between the less  
8           risky natural gas and the more risky mom and pop  
9           water utility. So from just an overall  
10          perspective, I think just the whole ROE formula  
11          needs to be reexamined for -- for that.

12                 But as far as these other items, as far as  
13          time limited ROE, or increasing the point, you  
14          know, if it allows us to close -- it gives us --  
15          the water utility an opportunity to close that gap,  
16          I am definitely all for it.

17                 MR. CICCHETTI: The only point I would bring  
18          up for the ROE the leverage formula was set last  
19          year. It has -- interest rates have increased  
20          substantially since then. The stock market has  
21          gone down. I suspect the new results of the new  
22          leverage formula will probably be more in line with  
23          a higher ROE.

24                 And we did have a workshop on that not too  
25          long ago, and I believe you sponsored a witness or

1 two.

2 MR. DEASON: We did. That is correct. But  
3 whatever -- what came out of that is actually, in  
4 my opinion, it made the discrepancy even worse  
5 after that. It had the opposite affect in making  
6 that discrepancy even larger, from what I saw,  
7 so --

8 MR. CICCHETTI: Anyone else have any  
9 thoughts --

10 MR. RENDELL: I just have general comments.

11 Historically, water and wastewater ROE has  
12 been significantly less than the other industries,  
13 like electric and gas. And I don't think it  
14 actually reflects the risk that's involved in the  
15 industry.

16 I know the staff and the Commission has looked  
17 at different variations every year, you know, today  
18 the banks are at six to eight percent long-term  
19 debt. So most of ours are 100 percent equity, so  
20 we are capped at the 7.85 -- well, 7.85 midpoint.  
21 So we are almost at the same rates as banks --  
22 banks are loaning money. I know, you know, that's  
23 more recent than the old leverage formula.

24 As far as the infrastructure replacement. I  
25 think when we get down towards, you know, number



1           eight on new ideas, I think this legislation  
2           probably is more inclined to incentivize  
3           infrastructure replacements as opposed to some type  
4           of an increase to ROE.

5           Now, as part of my Appendix B, I did supply a  
6           paper that was done by National Regulatory Research  
7           Institute, which came off the NARUC website. It's  
8           on fair market value. But within that -- I  
9           encourage everyone to read it -- they talk about an  
10          adder to ROE for acquiring utilities. To  
11          incentivize acquisitions by giving an adder to the  
12          ROE. They also talk about dislegislation and other  
13          mechanisms, not just the fair market value.

14          So I think it -- I am interested in the  
15          expansion of the range. That might help, you know,  
16          the rates going up and down so much, maybe, you  
17          know, that -- I am very interested in looking at  
18          that type of an option. But those are just my  
19          general comments.

20          MR. CICCHETTI: Troy, on that paper that cites  
21          ROE as an adder, did they -- is there something in  
22          there that shows how that's implemented? How  
23          it's --

24          MR. RENDELL: I don't believe so. I think it  
25          just talks about that some states do have it within

1           their purview and legislation, that there is an  
2           adder to ROE to incentivize acquisitions of  
3           troubled utilities.

4           MR. FRIEDMAN: Yeah, the document he was  
5           talking about was in the documents that he had  
6           provided to Douglas back in the beginning. So  
7           y'all have got that document in your records.

8           And in my perspective, kind of like what you  
9           mentioned initially, Mark, is that I don't think  
10          it's going to have -- it will produce significant  
11          income to really make a difference, but any -- you  
12          know, any -- anything that helps. I think there  
13          are better mechanisms to do it, but anything is  
14          better than nothing.

15          MR. CICCHETTI: Gotcha. Thank you.

16          Anyone else?

17          MR. DEASON: Can I make another comment?

18          Especially with the range, especially looking  
19          at the risk that smaller utilities have, I think  
20          you need to reflect that -- there is a lot of  
21          things you don't have control over, and one of them  
22          is the weather, okay.

23          And let's say a small utility goes into a rate  
24          case, and after to the rate case, there is  
25          significantly a long period of try weather, and the

1 data that was used in rate case was inadequate for  
2 what happened in the future and they do have kind  
3 of a windfall, you know. And it's not the  
4 utility's fault, but at the same token, it cuts  
5 both ways. What if they had significantly wet  
6 weather after that happens, and that wet weather  
7 causes their revenues to go way down?

8 So that's one of the risks that water and  
9 wastewater utilities have, because of that -- of  
10 those weather swings and weather impacts can be far  
11 greater for a water and wastewater utility, which  
12 can affect the ROE to a greater extent that it ever  
13 would on an electric or natural gas utility. So  
14 just something to keep in mind, because in those  
15 respects, I would be in favor of an expansion as  
16 far as the overall range.

17 MR. RENDELL: As far as the weather, one  
18 mechanism that was used in other states, I think  
19 more out west, is rate decoupling, where the  
20 revenue is tied to a certain consumption level, and  
21 they look at it subsequent to that, after the rate  
22 case. And if it's up, they may save that money for  
23 when the consumption goes down.

24 I am not very -- that familiar with it, but I  
25 know they have rate coupling, and it's all tied to

1 consumption, so that it actually balances out so  
2 you are not either overearning and then  
3 underearning, and overearning and underearning, it  
4 just kind of balances it out to keep it steady.

5 MR. CICCHETTI: Thank you.

6 Mr. Cox.

7 MR. COX: The rate mechanisms I have seen are  
8 25 to 50 basis points adders for buying distressed  
9 systems, but that applies to the entire rate case,  
10 not just the asset that's being acquired. It's a  
11 performance enhancer. Missouri has one that's  
12 codified, and then I am sure the National  
13 Association can send that to you -- and Mississippi  
14 has got something similar where it's a performance  
15 enhancer. So if you buy so many troubled systems  
16 that meet the definition, then they give you, you  
17 know, 25 to 50 basis points across the entire rate  
18 case.

19 MR. CICCHETTI: Thank you.

20 Any other comments with regard to ROE?

21 Mr. Rehwinkel.

22 MR. REHWINKEL: Yeah. On ROE, both -- both  
23 questions here, we certainly -- well, first of all,  
24 we see the ROE as sort of outside the scope of what  
25 the Commission asked this workshop to encompass.

1 But putting that aside, this is an issue that is  
2 fraught with a number of problems from our  
3 standpoint.

4 First of all, if we are going to look at  
5 modifying the acquisition adjustment rule, that's a  
6 heavy lift in and of itself, and it ought to be  
7 separate from ROE.

8 You have got, as you mentioned, the leverage  
9 graph issue -- or the leverage graph docket. And  
10 if -- if this is to be considered as a tool, then  
11 it ought to be considered there, or in a rate case  
12 where ROE is an issue.

13 You have statutory authority, and it's -- I  
14 forget exactly. It's the limited -- it's the SARC  
15 statute that gives the Commission the authority to  
16 have alternative ratemaking for the very small  
17 utilities that are SARC eligible. If that's where  
18 there is an issue, I think it ought to be looked at  
19 there.

20 You have the LARI process, and you have the  
21 operating margin process, which are both, in my  
22 mind, dealt with under that alternative regulation  
23 statute for small utilities.

24 So the LARI process was -- I don't know if  
25 Troy was the one that, or Mr. Smallridge, but both

1 of them have been using that more and more in  
2 recent years. It was sort of moribund for many  
3 years and now it's been brought to life and you use  
4 it. And I think that does give revenue  
5 requirements recovery to the small utilities  
6 without regard to, you know, their investment  
7 levels or a return. So it sort of bypasses that.  
8 And it probably is an effective tool to address  
9 some of these issues.

10 We just would like for there to be a wall  
11 between acquisition adjustment and a consideration  
12 with the ROE. And one of our reasons for that is  
13 when you start talking about adders in this state,  
14 it gets over into the electric utility arena. So  
15 giving adders, especially for performance or  
16 incentives to one segment sort of opens the door  
17 and the slippery slope to giving it in other areas.

18 So that's not necessarily just a water and  
19 wastewater issue if you are going to go down that  
20 path. So we would rather see that addressed  
21 separate from acquisition adjustment.

22 Thanks.

23 MR. CICCHETTI: Okay. Thank you.

24 Any further comments on ROE?

25 MS. CLARK: I was just going to say, I think

1           you do do that in electric utilities. You have  
2           given adders for good performance, as I recall. I  
3           have never understood why you wouldn't do that  
4           equally for water and wastewater.

5                   As far as increase to the midpoint or  
6           expansion, I believe you also have, you know, set  
7           rates at below the midpoint for poor service. You  
8           could also do it above the midpoint.

9                   Another thing that is done in the electric  
10          arena, and I think it was always done by  
11          settlement, is like expanding the upper level of  
12          it. But then if you -- if you do perform well, and  
13          can get efficiencies, you know, anything above your  
14          allowed ROE you might have some sharing, avoid a  
15          rate case and give back to customers some of the  
16          value of you employing the efficiencies. I think  
17          you have done that in settlements, what is it  
18          called, revenue sharing. If it worked in electric,  
19          should it work here?

20                   I realize it may require, you know, settlement  
21          that it -- that there were some concerns about  
22          whether or not it would be authorized under the  
23          statute. I don't want to opine on that, but I also  
24          think it's a good -- it's another incentive that  
25          might be worthwhile looking at.

1 MR. CICCHETTI: Okay.

2 MR. REHWINKEL: Mark, just -- Commissioner  
3 Clark, former Commissioner Clark is correct, that I  
4 think there is only one instance to where an adder  
5 was given in the past. It was a Gulf Power case 30  
6 years ago, maybe more, that not necessarily is  
7 precedent. But I would be very hesitant -- and we  
8 may get into this when we talk about the  
9 infrastructure surcharge concept. Whatever  
10 happened in a settlement is, you know, it's bound  
11 up in a lot of considerations. And, in fact, the  
12 specter of an adder was a highly motivating factor  
13 in some settlements in recent years as something to  
14 avoid the precedent of.

15 So we certainly look at it from a different  
16 lens, is what's done in a settlement -- there was  
17 revenue sharing in the late '90s or early 2000s  
18 that was a kind of a one-and-done deal. I think  
19 that it did give benefits. And certainly in a  
20 settlement context, if, in the water and wastewater  
21 industry, that kind of policy or principle is  
22 developed, you know, so be it. But I don't think  
23 you should develop policy based on exemplars from  
24 settlement agreements, because those things are the  
25 product of give and take, and they wouldn't



1 necessarily be agreed to were you to not get other  
2 offsets, or other value in the settlement.

3 MR. CICCHETTI: How about something if along  
4 the lines if in an acquisition, the Commission said  
5 if you achieve this, this amount of savings here,  
6 this amount of savings here, and so on, then you  
7 would be eligible for X percent increase in the  
8 ROE?

9 MR. REHWINKEL: So from our standpoint, we  
10 will sit -- take it under advisement. I have never  
11 seen that concept out there.

12 MR. CICCHETTI: It just came to me.

13 MR. REHWINKEL: Yeah. You know, our anchoring  
14 position is this an original cost state. Any  
15 variation or deviation from that ought to be well  
16 thought out, and it out to be empirically  
17 demonstrable. But if that's a concept that has  
18 merit, we will -- we will consider it.

19 MR. CICCHETTI: Okay. Any other?

20 Mr. Deason.

21 MR. DEASON: Yeah, I just have one more  
22 comment to make just over all on ROE and how it  
23 affects rates, and ultimately customers, okay.

24 So if your ROE is inadequate, you know, and it  
25 lowers -- the knee-jerk reaction says, well, that's

1 going to throw the customers lower rates. Not  
2 necessarily, because ultimately what changes  
3 revenue requirement is your weighted average cost  
4 of capital, which ROE is a component, but you also  
5 have your debt component as well. And if the  
6 marketplace looks at you as a utility, and it deems  
7 your ROE not to be adequate, it just raises your  
8 risk profile, and it makes you riskier, and that  
9 increases your debit cost.

10 So in reality, your weighted average cost of  
11 capital may not change to be lower. In fact, if it  
12 -- it may actually having an inadequate ROE may  
13 actually have a higher weighted average cost of  
14 capital, which would flow to customers.

15 So just something to consider when you are  
16 thinking about making changes.

17 MR. CICCHETTI: Thank you.

18 All right. If there is nothing else on ROE,  
19 Michael, if we could go to the next slide.

20 Used and useful adjustments. Should the  
21 Commission consider modifications to its used and  
22 useful rules to provide incentives that encourage  
23 new investment and replacing -- replacement of  
24 aging infrastructure?

25 I believe to the Florida commission is fairly

1 unique in its application of used and useful  
2 adjustments. Any thoughts?

3 MR. FRIEDMAN: Yes. Let's start on this end.

4 MR. CICCHETTI: Okay, we will work down.

5 MR. RENDELL: The short answer is yes.

6 Of all the rules we are discussing today, this  
7 is the most restricted and the most antiquated rule  
8 there is. It was enacted in the '80s and '90s  
9 again to address the situation there, where large  
10 developers came into the state of Florida -- I am  
11 going to give you a real life example in a  
12 minute -- where they came into the state of  
13 Florida, run miles of mains with anticipation they  
14 are going to build infrastructure -- or build homes  
15 to get recovery of that.

16 That just doesn't happen today. We don't have  
17 developers building these. It was -- it was -- it  
18 was enacted at the time to address that particular  
19 situation. I know of no other state in the United  
20 States that has this type of rule. Florida is the  
21 most restricted. When I was up in North Carolina,  
22 they came out, if it was in use, it was useful.

23 So I will give you a real life example. Sunny  
24 Hills is a utility that was installed by Deltona  
25 over in Washington County near the -- just south of

1 Chipley. It still looks the same as when I was a  
2 teenager. I grew up in that area. Deltona came in  
3 and put miles and miles of mains in with the  
4 anticipation of building thousands and thousands of  
5 homes. It didn't happen. So they sold to Southern  
6 States, which sold to Florida Water, then Aqua, now  
7 we own it.

8 Their water distribution system is 10 percent  
9 used and useful. 10 percent. And that was at the  
10 cost put in in the '80s. That used and useful  
11 drives decisions now on investment. If we have to  
12 put in a million -- if we have to replace \$1  
13 million worth of mains, we can only earn on 10  
14 percent of that. So that definitely drives  
15 decisions, either good or bad. There is no chance  
16 to recover that capital.

17 You know, some of the discussions that, you  
18 know, National Association of Water Companies  
19 talked about is infrastructure needs in the United  
20 States. The majority of that is replacement of  
21 mains, replacement of mains, collection systems.  
22 So if you have a low used and useful and you have  
23 to replace it, there is no chance to recover that,  
24 so there is a major disconnect there.

25 A lot of the other requirements are driven by

1 counter-requirements. For instance, for water, if  
2 that's all driven by a fire flow. So fire flow is  
3 going to dictate how much storage you have to have,  
4 what size pumps you need to have. And it's usually  
5 sized larger than what the existing customers are.

6 We are required by Section 367, Florida  
7 Statutes, to provide service to everyone within a  
8 certificated territory. So if you have 10  
9 customers here, and then a mile down the road you  
10 have 10 customers, we still have to provide that  
11 service. And if that main breaks, we have to  
12 repair it. But the way that these old rules look  
13 at it, they say, well, you have all of these empty  
14 lots so they shouldn't have to pay. Well, we still  
15 have to provide the service. If there is a break,  
16 we still have to replace it, and we can't get  
17 recovery.

18 So there is a major disconnect there. There  
19 is really no incentive to replace required lines if  
20 there is no chance for recovery. So definitely the  
21 used and useful rules need to be looked at and  
22 revamped, or maybe even abolished. They just don't  
23 work today.

24 We look at, you know, even wastewater plants  
25 are based on the permitted capacity, but if we have

1 to replace it, then we have to look, you know, what  
2 -- what's the most economical way to do it, but we  
3 don't want to get dinged with used and useful. So  
4 used and useful drives a lot of investment  
5 decisions in the state of Florida unfortunately.

6 MR. FRIEDMAN: Marty Friedman.

7 I am going to ditto what Troy said and expand  
8 a little bit, that there is already used an useful  
9 standard in the statute, just like there is in the  
10 electric and gas statute, used and useful. So  
11 there is a general description. The other  
12 industries don't micromanage that general concept  
13 with a bunch of rules. And these rules are  
14 out-of-date. They -- as Troy said, they drive  
15 negatively what investments you are going to do and  
16 what decisions you make.

17 Try to make a prudent decision on plant  
18 expansion, and you are not thinking from an  
19 engineering standpoint what makes the most sense.  
20 You are thinking from a PSC standpoint. Gee, maybe  
21 that makes more sense from an engineering  
22 standpoint, but I am going to get hit with a used  
23 and useful so I can't do that. So you are making  
24 imprudent decisions on plant expansions based upon  
25 this antiquated used and useful concept.

1           You know, with regard to the lines, Troy is  
2           right. I mean -- and luckily I think that lately  
3           they've gotten away from the lot count method, but  
4           it never made any sense at all. And certainly  
5           today, when utilities are run by real utilities  
6           instead of developers, that concept, this used and  
7           useful micromanagement in rule-making is  
8           unnecessary. And I would -- I have been saying  
9           this for years, we ought to just get rid of all of  
10          them. We don't need -- we don't need rules on used  
11          and useful.

12                 Thank you.

13                 MR. CICCHETTI: Jared, do you have anything?

14                 Ms. Clark? Mr. Cox?

15                 Charles, if I could, before we go, just follow  
16          up a little bit.

17                 I think, in the past, it was envisioned that  
18          the allowance for funds prudently invested would  
19          sort of offset the used and useful so the utility  
20          would be made whole if there was some expansion  
21          rather than just serving these other customers.  
22          Does AFPI not provide any he benefit, or do you  
23          have any thoughts about that?

24                 MR. RENDELL: The AFPI is more of a carrying  
25          cost, and the AFUDC is more as customers connect.

1           The theory sounds good, but when the customers  
2           don't come, you don't get it. It's like, if you  
3           have a -- if you have to invest in infrastructure,  
4           and 10 years later you still haven't hooked up  
5           anyone, you haven't recovered any of those costs,  
6           and so you didn't recover it in rates. You didn't  
7           recover it through AFUDC. You didn't recover it  
8           through your service availability. Those are  
9           stranded investments.

10           And so if there is a break on that main, what  
11           do you do? You still have to replace it, but you  
12           can't get recovery; or if you have a used and  
13           useful in your wastewater treatment plant, you have  
14           to replace a blower or a motor and you are not  
15           getting full recovery. So unfortunately, you have  
16           a rule driving negative investment in the state of  
17           Florida.

18           MR. CICCHETTI: Okay. Mr. Rehwinkel.

19           MR. REHWINKEL: Yeah, just ditto on my  
20           comments about this shouldn't be part of the  
21           acquisition adjustment rule.

22           I think you have to have a rule by law. I  
23           don't think this is one where you cannot have a  
24           rule. Especially, since you have demonstrated that  
25           you have got one, you can't do that incipient



1 rule-making kind of thing. The Legislature has  
2 tightened up the requirements for rule-making, but  
3 that -- I don't think you can just repeal the rule.  
4 But that should be part of a separate rule-making  
5 anyway. But we will certainly respond to any  
6 proposals that come forward in a concrete nature.

7 Here, I think the utilities have made some  
8 valid points about some of the hard spots in the  
9 used and useful rule, but I don't think you can  
10 also throw it out. I mean, Troy has got a system  
11 over there in the west that's, you know, that's got  
12 lines in the ground that were put in by the  
13 developer eons ago, and I don't think it would be  
14 fair to visit those investment costs on the  
15 customers that are there now.

16 So you -- you are going to have situations  
17 that -- where you have to -- you have to have used  
18 and useful, but certainly, you know, if they have  
19 proposals, we are willing to look at it and see if  
20 there is a better way to skin the cat.

21 MR. RENDELL: I guess my question is, as Marty  
22 indicated, there is similar statutes with electric  
23 and gas, and I would like to see do they have  
24 rules? Do they count how many homes are connected  
25 to a power line? Do they look at how much

1 generation could be at one of the generation plants  
2 versus how much is actually being used today?

3 So I think that the rules of the water and  
4 wastewater, they were done at a time to address a  
5 situation that doesn't exist anymore. So, you  
6 know, we can't have one rule in water and  
7 wastewater that you don't have one in electric and  
8 gas when they have the a same statute.

9 MR. CICCHETTI: And --

10 MS. CLARK: Mark, if I could follow up.

11 I don't -- I am not as well versed in used and  
12 useful as you all are, but one thing that I have  
13 found troubling that I think happens in the water  
14 and wastewater more than other industries is the  
15 use of 2020 hindsight. It seems to me the question  
16 that ought to be asked is, at the time the  
17 investment was made was it a reasonable and prudent  
18 decision? And not, okay, it was a reasonable and  
19 prudent decision, but now we are 10 years out, and  
20 it didn't materialize, so we are going to penalize  
21 the company.

22 And that goes to the issue that we have  
23 discussed, is that is the need for regulatory  
24 certainty? And after-the-fact, 2020 hindsight, it  
25 doesn't promote regulatory certainty.

1           MR. CICCHETTI: And, Charles, I just wanted to  
2 clarify that these individual components are not  
3 tied to the acquisition adjustment. We have been  
4 asked to consider, you know, all different rules --  
5 examine all the regulatory policies and practices.

6           I know it originated with some discussion  
7 about the acquisition adjustment, but then, I  
8 think, with some discussions with our executive  
9 director, it was decided that we would expand the  
10 scope for the workshop.

11          MR. REHWINKEL: Yeah, and I understand that.  
12 I just -- I think these are all worthwhile concepts  
13 to consider. I just -- you know, rule-making at  
14 the Commission is -- in recent years, it's been  
15 very truncated, you know. Lots of times there is,  
16 like, one workshop, and there is a proposed rule,  
17 and it goes to the Agenda, and the Commission votes  
18 on it. And then, you know, if we come up and we  
19 want to criticize certain elements of the rule,  
20 it's -- you talk about hindsight, it's is why  
21 didn't you show up back then and engage?

22          So it can't be both ways. If we are going to  
23 change the structure the way the Commission  
24 regulates, I think it needs to be thoughtful, and  
25 it needs to be comprehensive. But this whole

1 process, ROE, used and useful, doesn't need to be  
2 crammed into an acquisition adjustment rule  
3 revision, and we go to an Agenda and get three  
4 minutes to talk about something, and then we are  
5 done. I think that doesn't serve the customers  
6 well, so --

7 MR. CICCHETTI: I think this is the beginning  
8 of a process. If we do come back with some  
9 specifics on a rule, we will go through the  
10 rule-making process with regard to that specific  
11 rule.

12 MR. REHWINKEL: I think that's a good idea.  
13 And I believe that this is a good dialogue to  
14 start. We don't -- we don't object to that.

15 MR. CICCHETTI: That's what we -- how we are  
16 viewing it too. Thank you.

17 MR. FRIEDMAN: This is Marty Friedman again.

18 You know, if you look at the question, it's  
19 used -- and really saying look at used and useful  
20 in the context of replacing aging infrastructure.  
21 And as Troy said, it is a disincentive to replacing  
22 aging infrastructure. And that's a simple answer  
23 to a simple question.

24 MR. CICCHETTI: Thank you.

25 Any other comments on used and useful?

1           Seeing none, Michael, if we could go to the  
2           next slide, and that's got to do with system  
3           consolidation.

4           Now, that seemed to be a pretty unanimous  
5           topic this morning. And the thought that was  
6           running through my mind was everyone was in favor  
7           of system consolidation, and my question would be,  
8           including -- I think that everyone touched on these  
9           points we have here. How do we accomplish the  
10          system consolidation? What is this that you want  
11          the Commission to do that's going to encourage and  
12          enhance system consolidation?

13          MR. FRIEDMAN: This is Marty Friedman.

14          First of all, I think the discussion we had on  
15          acquisition adjustment, you know, to give a  
16          positive acquisition adjustment will make those  
17          systems more available to larger conglomerated  
18          systems to bring it into a consolidated set of  
19          companies, whether it be consolidated for  
20          regulatory management purposes or uniform rates.

21          I think that the uniform rates, making the  
22          application to uniform rates in a consolidated  
23          system easier to get would be a positive way to  
24          encourage consolidation, because not just  
25          consolidation of the companies, but consolidation

1 of rates. And I think everybody has recognized  
2 there is a benefit to consolidating rates, as  
3 happened in the UIF case that we did years ago, and  
4 had -- you know, I was involved in that. And we  
5 had a real ordeal getting consolidated rates in  
6 that case.

7 And I think that if we -- if you -- if you  
8 came up with a easier way to consolidate rates --  
9 we had to basically to do rate cases for every  
10 subsidiary, and then look at each one together and  
11 how it matched each other, and it was just -- it  
12 was -- it was a brain freeze.

13 And I think if you came up with a methodology  
14 to allow consolidation of rates so that you have  
15 got a uniform rate structure without having to go  
16 through that, I think you would have easier  
17 consolidation, particularly in, you know, maybe not  
18 just big companies like Sunshine, but the way that  
19 Troy's companies are consolidating in different  
20 groups, it would encourage -- it would encourage  
21 that consolidation as well if they knew they could  
22 come in and get consolidated rates without having  
23 to put on full blown rate cases.

24 MR. RENDELL: Yeah, I echo that.

25 As everyone, I think, was in agreement this

1 morning, at least on this side of the table, that  
2 consolidation should be encouraged. Over my  
3 career, I have seen the benefits. I have seen them  
4 happen. I have seen the economies of scale, the  
5 cost reductions, the benefit to customers.

6 As anyone knows, I am a big proponent of  
7 uniform rates. I have testified before the  
8 Commission on that a couple of times. There is a  
9 benefit. I think, you know, when you consolidate,  
10 you should be able to look at the consolidation of  
11 rates at the same time. As long as you are not  
12 overearning, you know, and you can show that you  
13 are not going to overearn, if it's some type of  
14 revenue neutral rate restructuring, and it benefits  
15 customers. If it benefits customers, the majority  
16 of customers. And there is extenuating  
17 circumstances, obviously. But also the  
18 consolidation of your books and records. I  
19 consolidated 10 last year, but now I am going to  
20 have to do an annual report, I still have to  
21 provide the annual report for every single system.

22 So is there savings there? There is -- it  
23 definitely didn't streamline my reporting process  
24 to the Public Service Commission. I can't do that  
25 until the Commission blesses off on some type of

1 rate consolidation, which, to me, has nothing to do  
2 with filing an annual report.

3 So I think it should be allowed at the time  
4 you are consolidated, and addressed at that point  
5 in time. Right now, you know, it's typically  
6 handled through an administrative order with a name  
7 change. But if there is other issues that can be  
8 brought forward, like rate consolidation, or  
9 consolidation of books and records, at that time,  
10 then it should be addressed and not requiring a  
11 utility to come back in at a later date, filing a  
12 rate case, racking up rate case expense, which is  
13 going to be passed onto customers again.

14 So definitely there is -- there is some  
15 opportunities there to consolidate the process.

16 MR. CICCHETTI: Ms. Ballou, in your remarks,  
17 you had a slide that showed 333 private companies  
18 were reduced down to, I believe it was 52,  
19 something like that. What do you think was the  
20 main driver that accomplished that?

21 MS. BALLOU: I would say that they used a  
22 broad toolbox of options. So they had fair market  
23 value legislation in addition to a regulatory  
24 policy statement encouraging consolidation, so they  
25 had both things kind of working toward



1 consolidation. And I think they have a very clear  
2 roadmap, so they have this set forth, if you do  
3 these things, your acquisition will be approved,  
4 and they have so the timelines.

5 So in Pennsylvania, these acquisitions have to  
6 be approved within six months at the Commission.  
7 So all of that provides a lot of regulatory  
8 certainty for companies who are deciding whether to  
9 make acquisitions. And in the toolbox of  
10 regulatory options, they have consolidated rates,  
11 acquisition adjustments, so I think just the  
12 combination of all of those things kind of helped  
13 work towards that success in Pennsylvania.

14 And like you said, I would refer everyone back  
15 to slide 16 in our presentation, which kind of  
16 lists each of these things.

17 MR. CICCHETTI: Was there any one specific  
18 driver that you thought was more valuable than the  
19 others?

20 MS. BALLOU: I would say probably just the  
21 regulatory certainty. It's the roadmap, making the  
22 rulings of the road very, very clear, and  
23 timeframes, like, those two things combined.

24 MS. JABER: Yeah, if you -- so on page 16,  
25 Pennsylvania and Arizona came to this Best Practice

1 different paths, and it's worthy to distinguish  
2 each state for you.

3 So with Pennsylvania, they had hundreds of  
4 small systems that were troubled. And the state  
5 PSC coordinated with their state DEP on what that  
6 list was. And they went, again, one by one and  
7 figured out which of those companies didn't have a  
8 rate case, never had a rate case? Which of those  
9 companies was in a public health threat? Which of  
10 those companies could be acquired by a neighboring  
11 it utility?

12 And so I am giving you sort of logistically  
13 where to start. And then -- and then a clear  
14 statement by the regulators that status quo isn't  
15 acceptable. There has to be a move in one  
16 direction towards consolidation. And then we can  
17 talk about the things that they did after that in a  
18 minute.

19 Now, contrast Arizona, created a -- they did  
20 very much this sort of workshop. It was very  
21 similar to this, and came up with a water action  
22 plan. And it even created an ombudsman position at  
23 their commission that that person directly with the  
24 water companies on streamlining the acquisition  
25 process, and working directly with small utilities,

1 not just on a staff-assisted rate case process, but  
2 here are the tools that you can take advantage of.

3 Two different states. Two different  
4 geographies. Very issues -- very different water  
5 issues.

6 With the Pennsylvania approach, Ms. Ballou and  
7 I were actually in a forum a couple of weeks ago,  
8 where we heard the result. They took, whatever it  
9 was, 600 utilities, they are down to less than 100  
10 now. And they do have a favorable regulatory  
11 environment for consolidation.

12 They also, out of that whole process, was --  
13 they were the first state to develop an  
14 infrastructure surcharge mechanism. They call it  
15 DSIC, or DISC. Every state has a, in a Best  
16 Practice state, has a similar mechanism called  
17 something different, but the idea was invest in  
18 that infrastructure when you acquire the company.  
19 There is a surcharge mechanism that allows for  
20 immediate recovery of the investment, and then that  
21 amount, that cost either gets reconciled in the  
22 next rate case, or it goes away because it's no  
23 longer needed. Every state structures it different  
24 differently.

25 And then -- and -- and then finally,

1           streamlining the regulatory process. So this may  
2           be away April and I might be addressing all four of  
3           your questions.

4                   Streamlining the regulatory process. If you  
5           have the same company over and over that you either  
6           seek and invite to acquire a company that needs to  
7           be acquired, or they just are growing on their own.  
8           Instead of asking them to fill out the same  
9           application and go through the same regulatory  
10          process, when you know you have already established  
11          technical and financial and managerial ability, and  
12          you have already looked at their operating income,  
13          you know, to ask yourself is as the regulator, what  
14          part of our process can become a paper process?  
15          And that goes hand-in-hand with how you can shorten  
16          the time.

17                   If it's not -- if every issue doesn't have to  
18          be a hearing issue, then, by default, you are going  
19          to process the case faster.

20                   MR. FLETCHER: Just to follow up on that. In  
21          that slide going through the 300 something down to  
22          the 55, comments earlier, there was statements that  
23          some of the reasons why the amount of utilities  
24          went down is because there was receiverships. Also  
25          we have here in Florida, have seen with transfers

1 going from regulated to nonregulated, because they  
2 are exempt under 367.022.

3 How many do you know were from that 333 in 55  
4 were a result of those, receivership versus  
5 doing -- from a regulated to a non-jurisdictional?

6 MS. JABER: Sure. Thank you for that, Mr.  
7 Fletcher.

8 So in Pennsylvania, it wasn't that they went  
9 from regulated to unregulated. How many of these  
10 those were receiverships, I don't know. I am sure  
11 we can ask -- see what we can find and get back to  
12 you on that.

13 But you brought something up, and I am glad  
14 you did. I want to address it for you from -- and  
15 Mr. Rehwinkel alluded to it earlier.

16 It is absolutely true that the Florida PSC  
17 regulates, in the grand scheme of things, a handful  
18 of companies in this state. That's absolutely  
19 true. Back when I was here, it was like 10  
20 percent. It's probably less than that. But it is  
21 less than 10 percent of the largest water  
22 companies, as small as they are, they are some of  
23 the largest companies in the country, right? And  
24 their quality of service is unmatched.

25 Now, with that said, there is also a section

1 in Chapter 367, right? There is a section in  
2 Chapter 367 that says, counties, where you regulate  
3 the utilities that the Florida PSC does not, you  
4 have to use our laws, policies and procedures as  
5 guidance.

6 So the answer to the question, how much  
7 influence do you have? You have 100 percent  
8 influence, not because you directly regulate those  
9 companies, but because the counties are bound by  
10 Chapter 367 as a guidepost.

11 And so when you promote consolidation, and you  
12 work collegially with the industry to address the  
13 issues around troubled utilities, or very small  
14 utilities that can't make the investment, you are  
15 in a position to influence all of those counties  
16 that have jurisdiction of their own utilities.

17 MS. BALLOU: And I would just like to add to  
18 your question about how many of the systems  
19 possibly could have been reduced because they could  
20 have converted to public ownership.

21 I know there has been a lot of thought in  
22 Pennsylvania around the fact that the privately  
23 owned water systems tend to be, particularly NAWC  
24 members, tend to be better run and have less safety  
25 violations. So there actually is an encouragement,

1 a tool in the toolbox, that maybe some private  
2 companies could buy municipals, rather than the  
3 other way around. So they are kind of pushing that  
4 route. So I think it's probably unlikely that it  
5 was going the other direction.

6 MR. CICCHETTI: Any other comments about  
7 system consolidation?

8 MR. CARTIN: Yes. I have a few.

9 So I went through this in South Carolina. I  
10 consolidated four utilities into one on request of  
11 the staff, and we saw a lot of benefits. Some were  
12 right away. Some took three to five years to  
13 realize. And I think how rate impacts can be  
14 minimalized is, obviously, we took some smaller  
15 utilities, put them with a larger utility, some of  
16 them I had spend half-a-million-dollars to provide  
17 redundant water to a utility, didn't even have to  
18 come in for a rate case.

19 But if I can say, like, the one best thing I  
20 took away after the consolidation was, is as a  
21 water utility, I think everyone here will agree  
22 that we are lean when it comes to human resources.  
23 Like, we all wear a lot of hats. I am doing  
24 regulatory now. I do corporate development,  
25 finance, accounting. And we when had four

1 companies before we've consolidated to one, a lot  
2 of our resources were spent doing data requests,  
3 doing regulatory work, being in front of the  
4 Commission every year for a different utility, so  
5 it really allowed our team to really focus on being  
6 more lean, being efficient, proactively addressing  
7 all of the challenges we have discussed today  
8 rather than being bogged down in the regulatory  
9 work.

10 So that was my best takeaway from it, was it  
11 allowed our team more bandwidth to accomplish our  
12 goals rather than being caught up in regulatory  
13 filings.

14 And I did want to reiterate what Lila said.  
15 We have acquired nonregulated utilities, Southwest  
16 Water has, and, yes, they are very heavily  
17 influenced by how this commission regulates.

18 Thanks.

19 MR. CICCHETTI: Thank you very much.

20 Mr. Cox.

21 MR. COX: I will just add a couple of points  
22 to that.

23 I think to encourage consolidation we are  
24 talking about here, you know, part of is getting  
25 clear definition, liked we've talked about before,



1 extraordinary circumstance really being a  
2 non-viability issue, and having clear rules for  
3 that I think are big.

4 And I also think that rate consolidation is  
5 part and parcel of utility consolidation. And  
6 we've seen that. We have been the first water  
7 utility to do consolidated rates in multiple state  
8 markets. We are the second company in Arizona  
9 history to use their water consolidation policy.

10 So in all the circumstances, what we have seen  
11 is you get rate stability, right? Because you have  
12 much more customers, you know, so the rates are not  
13 zig-zagging around all over the place. And the  
14 other is, system A may need more investment today  
15 than system B does. But over a 10-year time  
16 horizon, all these utilities need the same amount  
17 of investment. It's the same amount of pipes have  
18 to be replaced, the same amount of plant that has  
19 to be replaced. So rate consolidation really a  
20 chiefs that and gives benefits to the customer for  
21 stability, and, of course, all the economies of  
22 scale that go along with that.

23 MR. CICCHETTI: Thank you very much.

24 Anyone else?

25 MR. DEASON: Yeah, I just want to just echo

1 the comments before about, you know, just the  
2 efficiencies that are gained through single tariff  
3 pricing, consolidation of rates, and just  
4 consolidation in general, just some of the things  
5 that I have realized after consolidation at UIF,  
6 now Sunshine, you know, the first time we had to  
7 rip the bandaid off, so to speak, to do the initial  
8 rate case essentially had to file 20 sets of MFRs  
9 to come out with one revenue requirement at the  
10 end, it was a very long and arduous process but we  
11 got it done. And I am glad we did, because four  
12 years later, when we did another rate case, the  
13 process was a lot simpler, and it made it a lot  
14 easier on everybody involved, not just me, the  
15 utility. I am sure the PSC staff, even OPC to a  
16 certain extent. But that's a huge efficiency in  
17 just human resource and human time hours,  
18 especially when it comes to regulatory.

19 I know just other filings, I am able to  
20 consolidate all of my filings. So instead of  
21 filing a dozen annual reports, I do one annual  
22 report. It may be a 300-page behemoth, but it's  
23 still one report, and it still goes faster than  
24 doing 12 separate annual reports.

25 Even my RAF filings. Before that, I had to

1 do, like, 17 different forms, and they all were --  
2 some were on a one-year track and some were a  
3 two-year -- two times a year, and it was a mess.  
4 Well, now I do it two times a year, and I got one  
5 for water and one for wastewater, and it's a snap  
6 to get it done. And that -- just all those things  
7 add up in human -- human resource hours and PSC  
8 staff hours, and the work you have to do on your  
9 end as well.

10 And just -- and just to speak in another  
11 comment just related more broadly as far as  
12 consolidation and encouraging other utilities to  
13 invest in taking over smaller systems, or just  
14 revamping their own systems, I think it's safe to  
15 say that, you know, investments follow opportunity.  
16 The opportunity has got to be there. If it's not  
17 there, it's not going to come, or at least not very  
18 much, or to the extent it could come.

19 And I think a lot of the three previous issues  
20 we have talked about today relate to that, you  
21 know, the rules around -- the rules revolving  
22 around used and useful, ROE and acquisition  
23 adjustment currently, as they sit, disincentivize  
24 investment in our state. It's a fact, okay. There  
25 have been utilities that have left the state.

1           There have been utilities that I have heard that,  
2           as it sits now, they will not come to Florida.

3           We are a growing state. We need investment  
4           dollars, and we need to incentivize money to come  
5           to Florida, not disincentivize that money to come  
6           to Florida.

7           MR. CICCHETTI: Thank you.

8           Anyone else?

9           Mr. Rehwinkel.

10          MR. REHWINKEL: Yeah, just -- just briefly.

11          We certainly are not opposed to measures that  
12          increase economies of scale. I think UIF did a  
13          good job in consolidating systems and rates, and I  
14          think that that can be accomplished in the future.

15          The only thing we would ask is that there not  
16          be a measure that really takes oversight,  
17          substantive oversight away in that process. Maybe  
18          you do more oversight at the time you are  
19          consolidating, and now that you have got a  
20          consolidated system, you have less regulatory  
21          oversight, but it shouldn't lessen the protection  
22          the customers get in this monopoly service.

23          At the risk of kind of stirring a hornets nest  
24          here, there are -- you know, regulatory efficiency  
25          shouldn't be put ahead of customer benefits, I

1 think. Regulatory efficiency is something that  
2 should lower costs of the type that are passed on  
3 to customers, and so we would be supportive of  
4 that.

5 I know Mr. Smallridge raised an issue recently  
6 about consolidation and filing fees. And that --  
7 that's a tough spot for the Commission, because  
8 it's a source of funding. But certainly, filing  
9 fees aren't in the electric and the gas, you know,  
10 industry when it comes to processing rate cases, or  
11 limited proceedings, but you have them in the water  
12 and wastewater area. And Mr. Smallridge expressed  
13 a concern that it was a disincentive for him to  
14 make those kind of filings. I don't want to put  
15 words instead of what he said.

16 But I think that's something that needs to be  
17 considered. I don't know what the replacement  
18 funding source would be, but certainly it's one of  
19 those things that we've heard some evidence that it  
20 can impact the consolidation process.

21 MR. CICCHETTI: Could you expound on your  
22 concern about diminishment of oversight with  
23 consolidation?

24 MR. REHWINKEL: Well, we heard an example  
25 about, well, we can streamline the filing. And I

1 think -- and I could be wrong in this, but when C  
2 -- CSWR made three filings the year before last,  
3 they went to Agenda in March of this year. I  
4 believe that between the first and the second, or  
5 at least the first and the third, there was an  
6 ownership change above the Missouri operation, an  
7 outfit in New York sort of became the majority  
8 owner. I could have that wrong, but certainly  
9 things can change within the acquiring entity that  
10 the Commission needs to be aware of in terms of  
11 financial and technical expertise. So I don't  
12 think you can just rely on that as a given as you  
13 go forward. That's one thing.

14 And certainly, if you have a consolidated  
15 case, all of the auditing, the verification of rate  
16 base, all those things, that should not be  
17 eliminated in any efficiency out there.

18 MS. JABER: So, Mr. Cicchetti, I actually like  
19 what Mr. Rehwinkel said so much I am going to steal  
20 it and repeat it. You shouldn't put regulatory  
21 efficiency over the customer. Not only do I  
22 wholeheartedly agree with that, I know it's one of  
23 the priorities of NAWC.

24 I will go further and say, you do regulatory  
25 efficiency for the customer. And here's what I

1 mean by that -- and also, I am not disagreeing with  
2 you with regard to maintaining your oversight.

3 Again, not speaking, nor am I familiar with  
4 any particular pending applications, but, you know,  
5 you don't -- you don't dismiss streamlining for the  
6 one-off situations, or maybe even the two-off  
7 situation. You know, it's a simple question. Has  
8 there -- have any of the circumstances changed  
9 since your, you know, application made on X date by  
10 order number whatever, right? There has to be an  
11 opportunity to have your information updated.

12 What we are talking about -- I guess I am  
13 being very, very simplistic in this recommendation,  
14 which is, if you just saw a company last year, and  
15 the Commission staff and the Commissioners have  
16 used time and resources to approve a transfer, or  
17 an acquisition, or a merge-co, and the information  
18 hasn't changed, why would you go through those same  
19 resources in the staff level, or at the Commission  
20 level? That's -- I actually think that's poor  
21 judgment, poor use of resources. So that's the  
22 streamlining we are suggesting.

23 Again, bringing you back to the focus on the  
24 customer. One of our -- one of our priorities. So  
25 how do you maximize economies of scale, and how do

1           you minimize rate impacts? Well, again, it's the  
2           Commission holding the companies accountable.

3                       So economies of scale can be maximized if  
4           there is demonstrated savings they perhaps ought to  
5           be shared with the customer. That earns good will.  
6           It allows for growth. It puts capital in the  
7           community.

8                       How can rates be -- rate impacts be  
9           minimalized? Well, if we are streamlining the  
10          process and we are encouraging mediation and  
11          settlements, then we are also reducing the  
12          potential for ate case expense, and witnesses that  
13          are not needed. And lawyers -- as a lawyer, I  
14          know, there are going to be lawyers over here that  
15          are going to kill me for this, but maybe minimize  
16          lawyer time. You know, all of those things are for  
17          the benefit of the customer, not instead of  
18          focusing on the customer.

19                      MR. CICHETTI: Okay. Thank you.

20                      Any other comments on system consolidation?

21                      Okay. Michael, if we can move to cost  
22          recovery mechanisms.

23                      Should the Commission develop an annual cost  
24          recovery mechanism that would facilitate the  
25          accelerated replacement of identified water



1 distribution and wastewater collection transmission  
2 pipe and infrastructure that has reached the end of  
3 its useful life, or would result in significant  
4 consequence in the event of failure? If so, how  
5 would such a mechanism be structured?

6 And, Michael, if you could go to the next  
7 slide.

8 What we were thinking about, and would like to  
9 get your thoughts on, it would be a mechanism  
10 similar to what's been used in the gas industry,  
11 Gas Reliability Infrastructure Program, GRIP, the  
12 Safe Access Facility Enhancement Program, and the  
13 Cast Iron Bare Steel.

14 And so what are your thoughts about having  
15 something where you have this infrastructure that  
16 is necessary to be replaced, that can be identified  
17 through an engineering study, and have a hearing at  
18 the beginning, and at the end of the process have a  
19 true-up?

20 MR. RENDELL: Mark, if I might.

21 The answer -- the short answer is yes.  
22 Appendix A that I submitted is a bill that I ran  
23 back in 2011 when I worked for Aqua. It's very  
24 similar to the distribution system improvement  
25 charges. They call them different things in

1 different states. The National Association of  
2 Water Commission had talked about it.

3 I also included in that appendix that the  
4 NARUC actually passed a resolution identifying it  
5 as one of the 10 best practices in the United  
6 States. Many of the states in the United States  
7 have it.

8 This bill did make it to the floor, and  
9 unfortunately did not pass. I know the Commission  
10 historically has not introduced bills, or supported  
11 bills, or denied bills, but there is -- there needs  
12 to be a mechanism, and it does -- it does address  
13 all the needed infrastructure replacements. And as  
14 Lila indicated, it's reviewed annually. Every 12  
15 months, it's trued up, and it's set back at zero in  
16 the next rate case, but you are allowed to earn on  
17 your investment in between rate cases. It cuts  
18 down rate case expense. It encourages investment.

19 One thing that should be addressed is, for  
20 instance, like in Sunny Hills, you shouldn't have  
21 used and useful on it. If you are replacing  
22 existing pipe that's serving customers, you  
23 shouldn't penalize a company again for replacing  
24 the pipes that needs to be done.

25 So, yes, there is -- I encourage everyone to

1 read -- to look at Appendix A. It has information  
2 for Pennsylvania, from different states. There is  
3 actually a calculation in here, a sample tariff.  
4 So it kind of answers the first question, the  
5 question one, about how should be restructured,  
6 and, you know, should you have one. And the short  
7 answer is yes.

8 MR. CICCHETTI: We will go down the line this  
9 time.

10 MR. DEASON: Yeah. Actually, I just have a  
11 question of my own, if that's okay.

12 As far as what staff was envisioning by making  
13 references, were they looking at replacement of,  
14 like, distribution pipes and collection pipes, or  
15 all potential infrastructure that needs to be  
16 replaced, both vertical and horizontal?

17 MR. CICCHETTI: Just distribution pipes, and  
18 just pipes in the ground that are either at the end  
19 of their useful life or going to fail.

20 MR. DEASON: So it's just pipe basically is  
21 what you are saying?

22 MR. CICCHETTI: Yes.

23 MR. DEASON: Okay.

24 MR. CICCHETTI: And we could talk about  
25 through, you know, if the program moves forward,

1           you know, what -- if there should be anything, you  
2           know, in addition to that. But mainly, it's to  
3           replace aging infrastructure, and do it in a way  
4           that reduces regulatory lag for all the reasons  
5           that Troy just mentioned.

6           MR. DEASON: Okay.

7           MR. RENDELL: If you look -- if you look in,  
8           again, Appendix A, page three of four, House Bill  
9           223 kind of lists out the different projects that  
10          would be included. Water quality improvements  
11          designed to achieve primary and secondary water  
12          standards as determined by the Department.  
13          Wastewater quality improvement projects. Water  
14          service mains. Value replacement. Main cleaning  
15          and relining. Fire and flushing hydrant  
16          installation.

17          That was -- the fire flow is one of the ones  
18          that the representative was very -- that's why he  
19          ran the bill, because he was very concerned about  
20          fire flow, hydrant installation, maintenance and  
21          replacement main extension to eliminate dead ends,  
22          interconnection projects for water and wastewater  
23          and reuse meter installations, maintenance and  
24          replacement of collection connection sewer  
25          cleaning, manhole replacement cleaning and rehab.

1           So it addressed for water and sewer. It was  
2           very specific of what it -- basically all the  
3           infrastructure out in the distribution and  
4           collection system.

5           MR. HETRICK: What year was that, Troy?

6           MR. RENDELL: 2011, House Bill 223.

7           MR. FLETCHER: I got a follow-up.

8           On your knowledge of these type of mechanisms,  
9           what percentage of the bill relates to those  
10          mechanisms versus base rates?

11          MR. RENDELL: I actually have not done one.  
12          When I was at Aqua in North Carolina, they were  
13          doing different ones for Pennsylvania, and whatnot.  
14          I think it's a small percentage. I mean, it's  
15          basically just a rate of return, a depreciation on  
16          just the added infrastructure in between rate cases  
17          and it's trued up every year. So if you think  
18          about that, the rate of return is a very small  
19          element of rates.

20          MR. FLETCHER: But in that, did they -- did  
21          they also get the -- did they get depreciation  
22          associated depreciation expense? The property  
23          taxes associated with it? If so, it -- I mean, I  
24          realize just the return would be a small portion,  
25          but the associated corresponding revenue

1 requirement impacts of the investment would be far  
2 greater.

3 MR. RENDELL: Yeah, there is an example in the  
4 appendix. It has the -- you know, it's the rate of  
5 return, the depreciation expense, and then any  
6 reconciliation of over or under.

7 MR. FLETCHER: All right. And just -- I say  
8 that just because of you -- obviously, everybody  
9 knows the aging infrastructure out there, and  
10 starting from developer-owned utilities, and  
11 whenever you have to replace it, there is no  
12 matching CAIC this time that you can collect. So  
13 it's dollar for dollar, and if the -- what goes  
14 into a type of mechanism as far as what  
15 infrastructure would be allowed in such a  
16 mechanism, you could see it fastly growing to that  
17 being the mechanism getting the lion's share of the  
18 customer's bill.

19 MR. RENDELL: But it's capped. It included a  
20 cap. And this House Bill is a cap of eight percent  
21 of the annual revenue bill --

22 MR. FLETCHER: Okay.

23 MR. RENDELL: -- so it's not -- you can't get  
24 20 percent of your rates through it. There as cap.  
25 And once you reach that cap, that's it.

1 MR. FLETCHER: Okay. Thank you.

2 MR. DEASON: Yeah, Getting a back to me, if  
3 that's okay.

4 Yeah, I guess staff is familiar with that, in  
5 my last rate case, I suggested the SWIM program,  
6 Sewer and Water Improvement Mechanism, which is  
7 very similar to the GRIP program, and that's what I  
8 tried to pattern it after, with some modifications.  
9 I thought that, you know, there is three main  
10 reasons would you want this cost recovery  
11 mechanism, you know. Number one, you know, we've  
12 seen it work successfully in Florida. Not in water  
13 and wastewater, because there is nothing right now,  
14 but it's successfully been proven to work in  
15 natural gas, and electric has some other cost  
16 recovery mechanisms on their side too. So we know  
17 they work, then it just makes sense to apply these,  
18 or apply it in some form to water and wastewater.

19 Some of the efficiencies that you gain there  
20 is you are -- what we talked about before, you are  
21 incentivizing investment in Florida. If somebody  
22 wants to invest in Florida, and they know they  
23 deposition have to wait and spend \$1 million in  
24 rate case expense, because that's what I have to  
25 spend to get that infrastructure put in rates, that

1           incentivizes investment in Florida.

2           You have the effect of, like Troy said, if  
3           it's capped, you are not going to be getting rate  
4           shock. If you can get small incremental rate  
5           increases every year, well, that's a lot easier to  
6           stomach for customers than every four or five years  
7           having a big rate increase. And I don't think  
8           anybody here is, you know, whether -- no matter  
9           what side you are on, rate shock is not fun to deal  
10          with, and that's one thing you can mitigate.

11          And so these -- these efficiencies, these  
12          things that you gain, I am all for, and I look  
13          forward to maybe developing some, you know,  
14          strategies on how exactly it would be implemented  
15          in our state.

16          MR. CICCHETTI: One other thing I think we had  
17          in mind and wanted to hear everyone's thoughts on  
18          is that this increase associated with this program  
19          would occur at the same time as the index in past  
20          years --

21          MR. DEASON: That's what I had suggested.

22          MR. CICCHETTI: -- and would minimize --

23          MR. DEASON: Yeah, I think it would minimize,  
24          because you are doing it all the same time. I  
25          think there is some modifications that would have



1 to occur. As far as the calculation, I think you  
2 could -- if you are familiar with the limited  
3 proceedings MFRs, schedule number three, you could  
4 easily modify that and insert it in the calculation  
5 with index and pass-throughs to get the math to  
6 work out, if there is any question about that.

7 As far as the timing, obviously, you are  
8 looking at what was put in the previous year, so there  
9 is obviously going to be documentation you are  
10 going to have to look at. You are also going to  
11 have to look at prudence for those investments.  
12 And a decision has got to be made about that as  
13 well.

14 So obviously, you have to talk about maybe an  
15 extension of time, because right now, it's 60 days.  
16 If you are doing an index and pass-through  
17 together, it's 60 days, and so there might be a  
18 little bit of leeway as far as length of time for  
19 staff to review that. We don't want staff to be  
20 rushed in any way to do that. But that's kind of  
21 the gist how it would work.

22 Some of the other ways is -- I think April 1st  
23 is the day you can file for your index and  
24 pass-through the same day your annual report is  
25 due. So that's the way I intend to do it this year

1 as well.

2 As far as covering that ear SWIM portion of  
3 it, if you could have, say, a filing -- an initial  
4 filing a few months before, so to at least get the  
5 documentation in there for staff to look at, and  
6 say, hey, here is all the infrastructure. Here's  
7 the documentation, and here's why I did it. And  
8 they can get that out of the way first, and then  
9 the rest of it comes in April 1st, when you have  
10 the index and pass-through, your annual report, and  
11 you can finish out the process and still hit that  
12 60-day timeframe.

13 So those are just some things that I thought  
14 about as far as some of the mechanics on how that  
15 would work.

16 Another benefit I didn't talk about is if it  
17 works successfully, the need for a rate case won't  
18 happen as frequently. So instead of having a rate  
19 case of three, four, five years, you can  
20 potentially push that out.

21 And like I said before, it's a million  
22 dollars. That's the average of my last two rate  
23 cases, \$1 million in rate case expense, and all  
24 borne by the customer. If we don't need to have  
25 rate cases like that as frequently, well, that

1 benefits the customers on the rate side as well,  
2 because that's something else you don't have to  
3 recover nearly as often.

4 MR. CICCHETTI: Thank you, Mr. Deason.

5 Ms. Clark.

6 MR. FRIEDMAN: Yeah, and there is no -- the  
7 alternative that to go by now doesn't work, it  
8 doesn't encourage infrastructure replacement.  
9 Basically under the current regulatory scheme, you  
10 either got to wait until you file a rate case. You  
11 have got terrible regulatory lag that's not fair to  
12 the utility. You have got rate shock, which isn't  
13 fair to the customers, or you file limited  
14 proceedings every year. They could, every year,  
15 sit down and file a limited proceeding. Can you  
16 imagine the cost of doing that every time, which  
17 ultimately is going to be borne by the customers.

18 So there does need to be some mechanism put in  
19 place while we deal with this infrastructure  
20 replacement problem that everybody is facing. Not  
21 just companies regulated by y'all, but every  
22 utility in the country, water and sewer utility has  
23 the same problem, billions of dollars I think I  
24 heard somebody say this morning in Florida that had  
25 to be done on aging infrastructure.

1           And so the current -- to be fair to the  
2           utility, reduce regulatory lag; be fair to the  
3           customers, where there is rate case expense of  
4           filing every year, plus staff time, energy and  
5           effort, and Commission time, energy and effort, and  
6           Public Counsel time, energy and effort of dealing  
7           with those every, you know, basically constantly.  
8           You would constantly have a limited proceeding, and  
9           all the staff time, and everybody else time that's  
10          involved in that.

11           Whereas, us using one of these mechanisms, you  
12          would be able to -- you would still have the  
13          oversight and approval that, you know, that Public  
14          Counsel is going to look for that somebody is going  
15          to vet to make sure that that infrastructure was  
16          actually put in the ground, and then to put a cap  
17          on it.

18           And then the SWIM Program had produced -- had  
19          recommended a cap, as Troy told you, the DISC  
20          legislation had a cap in it. So that's another  
21          mechanism to protect the customer, but it does help  
22          resolve the regulatory lag problem for the  
23          utilities, and regulatory lag is a big problem.

24           Thank you.

25           MR. FLETCHER: I would point out, yeah, I do

1 recall the SWIM proposal, and wanting to basically  
2 combine that with the index and pass-through  
3 applications. I am definitely hesitant to say that  
4 they should be combined definitely because of the  
5 statutory deadlines with the index and  
6 pass-throughs without knowing first what the final  
7 products of what the mechanism would look like  
8 before -- that would be a consideration, I think,  
9 that should be looked at of what it is in its final  
10 form before any such decision about combining --

11 MR. CICCHETTI: Yeah, I think that --

12 MR. FLETCHER: -- with the other.

13 MR. FRIEDMAN: That was just intended so that  
14 you don't have an indexing going into effect, and  
15 then two months later you have another. You know,  
16 I mean, customers hate to, you know, you hear them  
17 in customer meetings, God, I just got this notice  
18 -- which it's an interim rate notice -- my rates  
19 just went up. You know, you will hear that all the  
20 time. And in order to avoid that, that was just,  
21 you know, Sunshine Waters suggestion to avoid  
22 having rate increase after rate increase after rate  
23 increase was to combine it with that. And if it  
24 could be combined, it's better for everybody. If  
25 it can't, and it doesn't work that way, then --

1           then you have to do the other. I mean, the process  
2           is more important than whether you tag it into an  
3           index or not.

4           MR. CICCHETTI: I think we were thinking more  
5           of the timing, the increase associated with it  
6           rather than the same process.

7           MR. FLETCHER: Well, yeah, I agree, you know,  
8           the customer savings with a notice, and also the  
9           rate stability aspect to it, as far as the time  
10          being of the effective date of the increases  
11          associated with the index of pass-through, or such  
12          a mechanism, definitely the customer savings is  
13          beneficial.

14          MR. CICCHETTI: Mr. Cox.

15          MR. COX: Yeah, I would just add two points.  
16          One to Mr. Fletcher's question. We've seen it  
17          capped either percentage of rate increase every  
18          year inside those programs, or percent of  
19          infrastructure investment, right, that only so much  
20          of you have CAPEX can be included on an annual  
21          basis, a percentage of your existing rate base.

22          I would just add one more part -- point about  
23          having one of these mechanisms in place is  
24          resiliency that you are building in, because, you  
25          know, we jokingly say, in 2021, we faced three of

1 the four horsemen of the apocalypse. We had Ice  
2 Storm Uri in Texas, then Hurricane Ida in  
3 Louisiana, and we had a tornado, the Mayfield  
4 tornado in Kentucky. And what we saw is in the  
5 areas that we really the time to do investments and  
6 resiliency, we had very little down time, even in  
7 major natural disaster areas, right?

8 So I think it's not just replacing aging  
9 infrastructure, which it is. It needs replaced.  
10 But you need to remember it also builds resiliency  
11 naturally to these systems, right, in those  
12 emergency situations.

13 MR. CICCHETTI: Southwest? Nothing.

14 MR. BRISÉ: Yeah, just to reiterate a couple  
15 of things, I think, and sticking with the theme of  
16 adding more tools to the toolbox, right? This  
17 would provide -- considering some of these  
18 mechanisms would provide for the avoidance of rate  
19 shock, continuance of rate stability, systemic  
20 improvements across the system, not only one  
21 utility, but across the system, and we can think  
22 about that systematically throughout the state.  
23 It's annually reviewed, right? Or whatever  
24 mechanism in terms of timing makes the most sense,  
25 and it's efficient from a regulatory perspective.

1           And so therefore, you -- you gain all the benefits  
2           that we are all talking about without injuring the  
3           consumer, or the customer.

4           MR. CICCHETTI: Ms. Ballou, before you start,  
5           as to Bart's question, do you know what the portion  
6           of the bill DISC is versus base rates in  
7           Pennsylvania?

8           MS. BALLOU: Well, I can tell you that it says  
9           for Pennsylvania, that generally, it adds a few  
10          cents to \$2.75 a month on the bill. That's the  
11          range.

12          MR. CICCHETTI: Thank you.

13          MS. BALLOU: So that gives you an idea. And  
14          also that it has accelerated the replacement  
15          schedule from 30 miles of main per year to 80 miles  
16          per year, which more closely matches actual service  
17          life of the mains. So it's had a significant  
18          impact. It's been in place since 1997, and  
19          Pennsylvania has never had a complaint filed  
20          against the DISC charge or during a DISC  
21          proceeding. So all of that time, there have been  
22          no complaints.

23          And just to reiterate that it is a national  
24          Best Practice. On one of our slides we included a  
25          map that shows the different states that have



1 infrastructure mechanisms, and there are 20 states  
2 that do. And like others have said, they are all  
3 very different. And we are happy to provide any  
4 examples you would like to see how -- what's  
5 included and what's not included, and how it works  
6 in different states.

7 MR. LEWIS: It might have been stated before,  
8 what are the timeframes on some of these  
9 surcharges?

10 MS. JABER: It varies.

11 MS. BALLOU: You mean the true-up?

12 MR. LEWIS: Yeah. I mean, because the cost is  
13 going to be elevated or deflated based upon the  
14 timeframe.

15 MS. JABER: So yes and no. It varies by  
16 state. So the answer to your question, let me --  
17 let me go back to Mr. Fletcher, and I promise I  
18 will we've the answer to your question into this.

19 From your perspective, as well as from the  
20 customer's, you will want to know that what all the  
21 DISC-like mechanisms have in common. And, you  
22 know, don't be wed to the words or the acronym,  
23 right?

24 The idea is it's an infrastructure surcharge  
25 mechanism to be used between rate cases. And what

1           they all have in common is every customer gets  
2           notice. There is a cap, some sort of cap. And  
3           then an earnings surveillance report. In other  
4           words, a precaution and a protection to the  
5           consumer that the DISC would never result in an  
6           overearnings situation.

7                     Now, directly to your question, because they  
8           vary by state, some of the surcharge mechanism --  
9           mechanisms get rolled into the rate case and maybe  
10          they go away forever with regard to that particular  
11          request, but it doesn't mean that the company  
12          cannot come in and apply for a surcharge mechanism  
13          for other infrastructure investment. Some are more  
14          than a 12-month project, and it gets rolled in,  
15          reconciled to zero and starts back up again.

16                    Two things I thought you would find of  
17          interest based on what April said. Customers, what  
18          -- what we have found at NAWC talking to different  
19          state commissions is customers really don't object  
20          to DISC because they can see -- they can actually  
21          see the investment being made. They see the  
22          construction. They walk out of their house, they  
23          are seeing the pipes going into the ground. And so  
24          just, as matter of course, we tend not to object in  
25          prices, right, to things that we can -- progress

1           that we can see being made.

2           And then finally, some of the mechanisms have  
3           a requirement that companies cannot file these  
4           mechanisms for multiple years without coming in for  
5           a rate case in between. It's not designed to  
6           replace a rate case. So, you know, in one state,  
7           it may be that you can seek a DISC mechanism  
8           approval for DISC surcharge five times, but then  
9           you must come in for a rate case, or maybe it's  
10          three years. You have a lot of flexibility in  
11          terms of how you design your surcharge mechanism.

12          MR. FLETCHER: Just a follow-up. Did any of  
13          those in those states, 20 states I think you said,  
14          did they start off these mechanisms as a pilot and  
15          eventually make its way into law?

16          MS. JABER: Pennsylvania.

17          MS. BALLOU: Yeah, there -- there definitely  
18          have been pilot programs starting this I way and  
19          then expanding.

20          MR. FLETCHER: How long was the pilot program?  
21          Like five years or something?

22          MS. BALLOU: I would have to look into that.  
23          I am not sure.

24          MR. FLETCHER: Thank you.

25          MS. BALLOU: I can let you know.

1 MS. JABER: It also varies, and I will tell  
2 you, Missouri, St. Lucie County, Missouri, was one  
3 county allowed for a DISC-like mechanism just in  
4 one county where they needed to make infrastructure  
5 improvements, and they have since then just -- and  
6 it was there for decades, and -- well, Mr. Cox, you  
7 probably are going to be more familiar with this.  
8 And just recently, they have expanded it into the  
9 whole state.

10 So I am not suggesting a very long pilot  
11 project like that, but that's how much flexibility  
12 the state commissions have. They -- they  
13 identified a problem. They targeted it with a  
14 solution and expanded it, so it just depends on the  
15 state.

16 MR. COX: I have gotten to pay those bills. I  
17 am an American Water customer in Saint Louis  
18 County, so I know exactly what you are talking  
19 about. So, yeah, it's a 10-year kind of pilot  
20 program it was just around one contiguous drinking  
21 water system and they expanded it to the whole  
22 state, it's been -- and I go back to a lot of roads  
23 getting tore up, everyone realizes, hey, real work  
24 is getting done, and service improvements. I mean,  
25 as customer, less -- less main breaks, less, you

1 know, boil water notices, all of that kind of good  
2 stuff.

3 MR. CICCHETTI: Mr. Rehwinkel?

4 MR. REHWINKEL: Where to start?

5 So obviously whatever we file is going to be  
6 some sort of synthesis of our brief in the docket  
7 20200139, the UIF case that Mr. Deason referenced  
8 with respect to SWIM, pages 29 through 39, is that  
9 right? 23 through 39. We laid out all of our  
10 concerns and objections to this kind of mechanism,  
11 and I am not going to repeat those here.

12 I just want you to keep in mind, there are  
13 five, six maybe utility interests here, and there  
14 is only one person here, you know, representing the  
15 customers. So it's not a, you know, a wade of the  
16 comments. You know, they represent a side. We  
17 represent a side. We have serious conference about  
18 this.

19 Again, I am going to say it again, this is a  
20 cost-based state, so even if you are not doing a  
21 rate case, if you are doing a surcharge, it's still  
22 got to be cost-based. And I think one of the  
23 commenters used the word prudence, or prudence, in  
24 talking about what the standard would be, and we  
25 concur in that.

1           I want to remind folks that those three gas  
2 riders up there, that's three gas companies. They  
3 have a RAF-based system I think that's on sound  
4 footing. Those come in on a cycle every year.  
5 They are evaluated in the fall of the year, and in  
6 the timeframe of what I call hearing season, which  
7 is the clauses. You have got all the fuel clauses,  
8 PGA, energy conservation, environmental cost  
9 recovery, and now SPP. And heaven forbid if  
10 nuclear comes back, we will have that all in that  
11 time of year.

12           And you have staff that are dedicated to  
13 handling those clause hearings, and it's a quite  
14 and undertaking, even if it's streamlined, it's  
15 still an undertaking. And that's for a handful of  
16 gas companies and a handful of electric companies,  
17 and that is a time-consuming process.

18           Now, on top of that, I think there is 142  
19 water systems. Let's say only half of them do  
20 something. You have 70 come in and take advantage  
21 of this. Where are your resources that are going  
22 to give the scrutiny to these filings so that you  
23 can determine prudence? Putting the timing aside,  
24 where are those resources? Are we going to get,  
25 the customers going to get a good faith look at

1           these filings that are going to be slices of what  
2           you would do in a rate case, they are just going to  
3           be done every year. They could be millions of  
4           dollars. Who is going to look at those, and who is  
5           going to scrub them? Who is going to say that's  
6           prudent?

7           Let's go to the index and pass-through  
8           process. As far as I know, those never go to  
9           Agenda. They don't see the light of day. They  
10          don't see a hearing. There is not a point of  
11          entry. This is a staff process that -- that is  
12          handled administratively. So on top of that, you  
13          are going to overlay this look at investment on top  
14          of that? I don't think it's going to be physically  
15          or humanly possible. I don't know what other  
16          states do. I don't know what their staffing is at  
17          their commissions. No idea on that.

18          We heard a little bit about an earnings  
19          surveillance safety or guardrail, if you want to  
20          call it that. Well, the Commission doesn't have a  
21          surveillance process for water and wastewater  
22          companies beyond an annual report that is filed 18  
23          months in arrears, and it's really a desk audit  
24          review. And I don't know that that would line up  
25          with the -- the clause type filings, or the

1 surcharge filings, and what the current state of  
2 earnings of the company are, because that's a --  
3 you know, you are looking, if you go to -- if you  
4 got a filing in the summer of '22, the last round  
5 of earnings surveillance or annual reports, they  
6 were looking at the end of 2020, I think. Am I  
7 right about that? Year-end 2020. So you are not  
8 going to look at, in that filing, you are not going  
9 to look at earnings on a realtime basis. It's  
10 going to be much in arrears. So we would be  
11 concerned about that in terms of this process.

12 Now, having said all of that, if somebody has  
13 a concrete proposal and you put it out on the  
14 table, we will look at it. Everyone is going to  
15 know, if it looks like SWIM, what our problems are  
16 with it. But if there is something of a very  
17 limited and auditable and process that ends up here  
18 at an Agenda or in a hearing, come talk to us, but  
19 I don't think the customers should give up their  
20 due process rights just for the sake of efficiency.  
21 And so that's a real concern on our part.

22 We did -- I am going to go back into these  
23 comments on one little piece. I think if you are  
24 going to do this, it's got to be across the board.  
25 It can't be a utility by utility thing. You are



1 going to -- if you are going to create a process,  
2 it's got to be available to all utilities. So I  
3 think that would violate some fundamentals of the  
4 rule-making requirements.

5 So those are our remarks on there. Needless  
6 to say, we are skeptical of that one.

7 MR. CICCHETTI: Okay. Thank you, Charles.

8 MR. DEASON: Could I respond briefly?

9 MR. FLETCHER: If I can follow up just one  
10 thing on the earnings surveillance that was just  
11 mentioned. Definitely the annual report is  
12 annually. The only other outside of the annual  
13 reports would be in what we call a LARI I, the  
14 Limited Alternative Rate Increase, the last time  
15 that that -- went to rule-making, it was put after  
16 I believe it had been in effect for so long, the  
17 LARI increase that they had to file schedules with  
18 rate base, a cost of capital, an NOI, basically a  
19 snapshot to determine whether those schedules  
20 indicated whether they were earning within the  
21 range. That was the only other aspect outside of  
22 any other rate increase other than an annual  
23 report. I just wanted to --

24 MS. JABER: But remember, Mr. Fletcher, you  
25 also have clear statutory authority to require any

1 report you want. This agency can do that in  
2 conjunction with the approval of any, and does.

3 MR. FLETCHER: Oh, yes, definitely.

4 MS. JABER: Yeah. So I actually -- not a lot  
5 of disagreement with Mr. Rehwinkel in terms of the  
6 heads-up on all the cautions, and customer due  
7 process should never be sacrificed. Never. And so  
8 what that says is there is an opportunity for you  
9 all to figure out what the point of entry process  
10 is going to be for the customer. If they have  
11 notice, it's because there is an opportunity to be  
12 heard.

13 And I never said the DISC mechanisms didn't  
14 have a hearing. I never said that. They have a  
15 hearing. They have a hearing. What you have to  
16 guard against to make it feasible between rate  
17 cases is that a very limited infrastructure  
18 surcharge application ought not turn into a full  
19 flown rate case, which generates rate case expense,  
20 because isn't that what we are trying to mitigate?

21 So NAWC would never disagree with making sure  
22 all of the consumer protections are in place.  
23 That's all actually the beauty of these  
24 infrastructure surcharge mechanisms.

25 MR. RENDELL: Briefly. First off, I agree.

1           They have at this to be cost-based. You are going  
2           to have documentation to show what you install.  
3           You are going to put in mains, or piping, or  
4           whatever. I find it ironic that OPC brings up all  
5           of these other mechanisms that electric and gas  
6           get. They have fuel cost. They have PGA. They  
7           have conservation. They have -- now gas has all of  
8           these. I worked in the conservation cost recovery.

9           So, yes, your other utilities can have, but  
10          water and wastewater, you don't get anything. I  
11          mean, it's very ironic to me. I think these other  
12          state commissions have figured out how to do it. I  
13          think Florida can figure out how to do it too.

14          MR. CICCHETTI: Mr. Deason.

15          MR. DEASON: Just add one quick comment about,  
16          you know, the processing of it. I do under -- you  
17          definitely need to take into account there is some  
18          extra steps involved if you are adding in a cost  
19          recovery mechanism for capital along with the index  
20          and pass-through. And I am just speaking as my  
21          personal opinion. I don't think it's going to  
22          increase it that dramatically, you know, as Mr.  
23          Rehwinkel, just -- We both have something in  
24          common, we are both former staff members here at  
25          the PSC. But unlike Mr. Rehwinkel, I actually

1 processed and reviewed and looked at index and  
2 pass-through applications. It's not nearly as  
3 arduous as he is making it out to be.

4 So I think there is a good medium of time you  
5 can have to look at both the cost recovery  
6 mechanism and the index and pass-through at the  
7 same time and come up with a reasonable timeframe  
8 to process it.

9 As far as the timing of the application, if  
10 you are doing it in conjunction with the index and  
11 pass-through, the earliest you can do it is April  
12 1st. That's the same day your annual reports is  
13 due. And that's got to be on file. So you have  
14 that, in essence, that surveillance report at the  
15 same time you are making the filing as well.

16 MR. REHWINKEL: Mark, just to be clear on what  
17 my comments were on this. I don't say -- the index  
18 and pass-through process is 60 days, right? It's  
19 got to be done.

20 MR. FLETCHER: It's 60 days for an index, and  
21 45 for a pass-through only.

22 MR. REHWINKEL: So inside that. We are  
23 talking about infrastructure cost recovery for  
24 multiple, multiple systems that have to be looked  
25 at at the same time. The index and pass-through

1 process does not have a hearing. There is no point  
2 of entry in that at all. It is as administratively  
3 streamlined as can be.

4 To say that in that same timeframe you are  
5 going to file something and give somebody an  
6 opportunity to have discovery and hearing on -- on  
7 this infrastructure additions is not the same  
8 thing.

9 Those up there, we've asked -- we can ask for  
10 a hearing on those. The storm protection plan,  
11 which is the closest analog of infrastructure  
12 recovery, that's an enormous undertaking for just  
13 three -- four electric companies.

14 So my point is, where's the time and resources  
15 to have a hearing on if someone wants to challenge  
16 one of these surcharge requests? I don't think you  
17 can say they are the same thing as an index and  
18 pass-through, at least not at the outset.

19 And finally, on the earnings surveillance,  
20 yeah, you can ask for it, but there is a reason why  
21 you don't have quarterly or semiannual or monthly  
22 surveillance reports for of all these water  
23 companies, because it would -- it would bury them  
24 in regulatory costs. Even if the electric  
25 companies, it's an enormous undertaking to produce

1           that surveillance report every month, and for the  
2           gas companies for quarterly. I don't think -- I  
3           don't think you really have that tool right now.

4           MR. CICCHETTI: Charles, what if we limited  
5           this type of proposal to a utility of a certain  
6           size?

7           MR. REHWINKEL: It would depend. You know, I  
8           don't know. I think there are -- how many are  
9           there, 16 Class A's? Does anybody know?

10          MR. CICCHETTI: Bart.

11          MR. FLETCHER: That's about right. I think  
12          it's a little less.

13          MR. REHWINKEL: Yeah. So if you have a dozen  
14          Class A's, and you have a quantum of Class B's in  
15          excess of that, that's still a lot to process, you  
16          know, relative to these electric and gas clauses.

17                 And, you know, Mr. -- Mr. Rendell makes a good  
18          point, but the facts on the ground are this agency  
19          is sized to handle the workload that you have right  
20          now. And I think your work -- your workforce has  
21          shrunk. You are doing a lot more with less. But  
22          adding an entire layer of clause type recovery, we  
23          -- we would be skeptical that you could do a really  
24          good job of it over this timeframe. And that's not  
25          to mention our office being able to, you know, find

1 a way to deal with this in this -- in the fall.

2 From August to December, you guys know it, we  
3 are -- we are -- we are busy. If there aren't rate  
4 cases already in there, we still always have the  
5 clause proceedings during that whole timeframe.

6 So it's a concern, but it -- our workload  
7 shouldn't be a concern. Our concern is can the  
8 Commission process these during this timeframe?

9 MR. CICCHETTI: Thank you, Charles.

10 MR. RENDELL: If I could, real quick, could  
11 respond.

12 I don't think it -- I probably agree with  
13 Charles on this. It shouldn't be the same time as  
14 the index. It should be separate so that you can  
15 look at it.

16 The water and wastewater industry pays the  
17 highest percentage of RAFs of any industry. We pay  
18 four-and-a-half percent of our revenues. Electric  
19 doesn't pay that. Gas doesn't pay that. So we pay  
20 the highest percentage. Maybe not the highest  
21 dollar amount, obviously, but we pay the highest  
22 percentage to be regulated by the Public Service  
23 Commission.

24 It's pretty simple. Here's the invoices, what  
25 we did. Here's the rate of return. Here's the

1 depreciation. It's not complicated, it's  
2 basically, you know, KIS, the old saying, keep it  
3 simple. That's all it is. And it should be very  
4 simple to do. And you should do it, you know,  
5 yearly. It has to be done yearly, and you don't  
6 have to tie it to another clause or anything.

7 I apologize. I don't know much about the SWIM  
8 because I haven't really studied that, but I am  
9 just talking about this type of DISC legislation  
10 that's in other states.

11 MR. FUTRELL: Mark, I have got a comment.  
12 Mark Futrell with the staff.

13 I think we certainly would like all of your  
14 thoughts about this in your postworkshop comments,  
15 and process is certainly a consideration, but I  
16 think before we get to process in some of those  
17 details, it's what's the concept? And so that's  
18 what we would like your thoughts about, the concept  
19 of this.

20 Staff has had a few opportunities to kick  
21 around a few ideas. Those three items listed there  
22 were there -- are there intentionally, because the  
23 concept of those, as I understand them, was that  
24 those had a stated purpose. They had a scope.  
25 They had an estimate of costs. They had an



1 estimate of completion.

2 And so it was a -- it was a tangible concept  
3 that the Commission could look at and afford all  
4 parties a point of entry to review it, decide  
5 whether it made sense, whether there were  
6 demonstrable benefits for customers, and it was  
7 made sense for the company, and to get input from  
8 all intervenors.

9 And then there was an ongoing process, once  
10 approved, to monitor the costs, report, review,  
11 allow all parties a chance to look at what was  
12 happening and the amount of progress, and then get  
13 to a, hopefully an end -- a completion, so that the  
14 customers, as Ms. Jaber said, could say, hey, I  
15 paid for that. That happened because I paid.

16 And so the idea of this was to find a way to  
17 accelerate capital improvement above and beyond  
18 what's contemplated in base rates.

19 MS. JABER: That's exactly right, Mr. Futrell.

20 MR. FUTRELL: And so that's what we would like  
21 to -- that's kind of one of the working concepts we  
22 had. But again, we are open to other ideas that  
23 you guys may have, but that was one of the working  
24 concepts that I think we had thrown around,  
25 inspired by DISC programs, what we had heard about

1 in the SWIM Program and other concepts that are out  
2 there, is that was one of the, kind of something we  
3 could get our hands around and afford all parties a  
4 chance to look at, and the Commission ultimately at  
5 the front end, and then the then monitor progress  
6 and utilities actions to implement its plan over  
7 time.

8 MS. JABER: Yeah. So you nailed it. The --  
9 the infrastructure surcharge mechanism NAWC is  
10 talking about is not tied to index pass-through,  
11 and it's exactly what I said. Customers have  
12 notice, opportunity to be heard, and -- and a  
13 process at the Commission. It's not a full blown  
14 rate case.

15 And it is -- the scope -- the scope -- the  
16 scope is I have a capital project plan. I,  
17 utility, have a capital project plan. This is  
18 infrastructure that has to get made to pull up that  
19 aging pipe over a certain amount of time, and I  
20 don't need a whole rate case to do it.

21 That's the infrastructure surcharge mechanism  
22 that the states have embraced. They call it system  
23 improvement charge. They call it distribution  
24 system charge. I think Nevada is a -- it starts  
25 with an M -- I am sorry, an N, like Nevada, so --

1 but the concept, Mr. Futrell, is that it is a  
2 capital improvement plan that the Commission staff  
3 reviews, and can -- can see and appreciate with  
4 accountability coming back to the Commission with  
5 the appropriate, you know, request for information  
6 or data that is filed quarterly, annually, whatever  
7 it is that you want to do to keep them accountable  
8 and to keep consumers protected.

9 MR. FLETCHER: If I could follow up on --  
10 those programs, are they all historical, or is any  
11 projected?

12 MS. JABER: I think by -- I think they  
13 necessarily are projected, because it hasn't been  
14 -- it's construction not made yet. Yes, they are  
15 projected.

16 MR. FLETCHER: Thank you.

17 MS. BALLOU: But as Lila said, in Pennsylvania  
18 at least, companies file long-term infrastructure  
19 improvement plans, and so they have a plan about  
20 what's going to be accomplished each year, and then  
21 the DISC recovery is tied specifically to that  
22 plan.

23 MR. CICCHETTI: The final point that I would  
24 like to address, I don't know if other states have  
25 that, but here in Florida, we have statute

1 367.0812, which addresses secondary water quality  
2 standards. And anytime rates are raised, the  
3 Commission needs to evaluate secondary water  
4 quality standards.

5 Does everyone think that that would apply to  
6 any kind of DISC program, or does any other state  
7 have a DISC type condition such as this?

8 MR. FRIEDMAN: It doesn't apply to indexings.  
9 That's a rate increase.

10 MR. CICCHETTI: Well, it hasn't been. That's  
11 true, it hasn't been applied there.

12 MR. FLETCHER: And I would point out that the  
13 index and pass-throughs, that's the only thing  
14 administratively approved, I think, by staff. Once  
15 the information is filed pursuant to the statute,  
16 that doesn't go to the Commissioners for a vote.  
17 That's the only distinction I would make there for  
18 that rate increase versus others.

19 MR. FRIEDMAN: I don't know what one has to do  
20 with another. A rate increase is a rate increase  
21 is a rate increase, whether the Commissioners bless  
22 it or whether it's automatic.

23 MR. DEASON: I am no attorney, but I will just  
24 say this, I do know the index and pass-through  
25 requires a statement of quality of service. There

1           may be a way to expand that to include this  
2           requirement of the statute, but obviously that's --  
3           attorneys have to make that decision, but just  
4           throwing that out there.

5           MR. CICHETTI: Okay. Anyone -- yes, Mr. Cox.

6           MR. COX: There are states that have -- that  
7           have that allowance inside the investment program,  
8           Texas, for one, just implemented one in the wake of  
9           Ice Storm Uri for resiliency and for service  
10          redundancy. So those do exist.

11          MR. CICHETTI: Thank you.

12          MS. JABER: The infrastructure surcharge  
13          mechanism can be a solution to your secondary water  
14          quality issue. So I think that's -- Mr. Brisé and  
15          I were just discussing it. It's not an either/or,  
16          or it is if states have identified some quality  
17          concerns related to color of water, or odor, or --  
18          and it's because there is pipe corrosion, it's the  
19          infrastructure surcharge mechanism that becomes one  
20          of the solutions in the toolbox.

21          MR. CICHETTI: I was just wondering if it  
22          would fall under that, and then that would need to  
23          be considered as part of this program, just  
24          wondering what everyone's thoughts are on that.

25          MS. JABER: Yeah -- well, you know, but it

1 gets -- it wouldn't be excluded from your normal  
2 review of quality of service on -- in the rate case  
3 cycle. That's the way I would answer your  
4 question. It's not that it -- you would point to  
5 adding it as a criteria to what you do with the  
6 infrastructure surcharge petitions, or your  
7 decisions in that regard. It just gets  
8 incorporated into all of the plant and facilities  
9 that you already have to make a determination of  
10 quality of service for.

11 MR. CICCHETTI: Thank you.

12 Any other comments with regard to cost  
13 recovery mechanism?

14 MR. REHWINKEL: So, Mark, that -- your  
15 question three there, I -- I hadn't really  
16 contemplated that, but, you know, on a, kind of a  
17 parallel basis, that statute, and the index and  
18 pass-through process, those are statutory.

19 You are being asked to create your own outside  
20 of the statute, and as I see it, this surcharge  
21 proposal is basically little slices of revenue  
22 requirement that would otherwise be recovered in  
23 rate cases. So to me, those are more akin to your  
24 rate case -- your rate setting authority that's  
25 embedded in rate cases, and I think those do fall

1           within that statute. You are just taking it a  
2           little bit at a time instead of one big gulp at the  
3           rate case.

4                        So I -- I think the Commission should be  
5           hesitant to consider that they could end run that  
6           statute by slicing the rate case up into little  
7           pieces.

8                        MR. CICCHETTI: Okay. Thank you.

9                        All right. Michael, if we could go to the  
10          next slide, which I believe is our next to last  
11          slide.

12                       Should the Commission consider modifications  
13          to increase use of the utility reserve fund rule?

14                       Now, I noticed there was some comments about  
15          this earlier, and we would love to hear from folks  
16          what the Commission should do to make this fund  
17          more usable. Any comments?

18                       MR. FRIEDMAN: I will just, I know Mike --  
19          he's -- Mike will say most of what I am going to  
20          say, but when you adopted that rule -- and I am not  
21          going to say I told you so, but when I participated  
22          in that, you could tell that it was never going to  
23          get used because the arduous requirements, and you  
24          are asking -- the reserve fund is going to apply to  
25          the smallest utilities. It's not going to apply to

1           these people sitting here.  It's going to apply to  
2           the small guy.  And -- and you are putting  
3           requirements on them that it would be hard for the  
4           big companies to make, and so as a result, nobody  
5           has ever used it.

6                     And so I think what you need to do is to get  
7           input from people like Mike, that's got a small --  
8           that's got a small -- a bunch of small utilities  
9           and would use it, and other people, other smaller  
10          utilities, and let's see what is it about the rule  
11          that makes it impossible to be able to use.  
12          Because there is so much reporting.

13                    And, you know, these companies don't have  
14          separate people for doing all of that kind of work.  
15          They are small companies.  It's mom and pops.  They  
16          do it themselves.  They are everything.  And you  
17          can't ask them to all of a sudden start doing all  
18          of this recordkeeping, all of this financial stuff,  
19          all of this financial filings, it doesn't work for  
20          those small companies, and that's why they just  
21          don't -- they didn't apply for it.

22                    And so I think there is -- somebody that needs  
23          to sit down with those -- with those affected  
24          parties and say, look, what is it about this rule  
25          is a problem, and how can we fix it and still



1 protect the integrity of what we are trying to do?

2 MR. CICCHETTI: Mr. Smallridge.

3 MR. SMALLRIDGE: Michael Smallridge, Florida  
4 Utility Services.

5 You know, one of the highlights of my career  
6 was being appointed by the Governor to represent  
7 Class C utilities on the study commission. And as  
8 Gary Williams said earlier -- and I didn't realize  
9 him and I were the last two guys standing that were  
10 on that commission that are still around today.

11 As we traveled the state and talked to  
12 different folks, and people, and what have you, all  
13 these things come up. And I can tell you with 100  
14 percent certainty, the idea of the utility reserve  
15 fund as we managed it, and as we were running  
16 around, by the time it got to the Legislature --  
17 and I had talked to the different Senators and  
18 Representatives about it, and it was great. But by  
19 the time it got back around to the Commission and  
20 the rule was made, it was a completely different  
21 animal.

22 What we envisioned on the study committee, and  
23 what we had told the Florida Legislature that when  
24 they were -- when they were passing it, was that we  
25 envisioned a -- mainly for Class C utilities, but

1           it was a way to try to be proactive and get ahead  
2           of the game. Let me create a small savings  
3           account, or something that I need to replace down  
4           the road that I know. For example, maybe a fire  
5           hydrant, so I can get ahead of the game, and not  
6           have to go through all of this.

7                    I use the example of a fire hydrant because,  
8           you know, it today's world, you pay \$5,000 to  
9           \$6,000 to have a fire hydrant installed or install  
10          it yourself and I get to recoup that money over 50  
11          years in a Class C utility. It doesn't make any  
12          sense. It's a nonstarter.

13                   So the thought was, let's be proactive. Let  
14          me collect that money -- I know I got to replace a  
15          fire hydrant in whatever years. Let me collect  
16          that money now, put it in a savings account, put a  
17          line item on my annual report how much money is  
18          this that account, and at the proper time come back  
19          to the Commission and say, Commission, I have  
20          \$5,000 earmarked for a fire hydrant replacement of  
21          this utility, there is X amount of dollars in the  
22          bank, I want to take it out and use that.

23                   It was just designed to be so simple and so  
24          helpful. And like I say, by the time it got  
25          actually around to being made a rule, it just --

1 Marty is right, it was -- just not going to using  
2 it. It's too complicated.

3 Now, for somebody like myself that has  
4 consolidated companies, and maybe has a little bit  
5 more staff available, you know, maybe it can be  
6 made a lot easier. But there is a lot -- there is  
7 still a lot of these mom and pop utilities around  
8 that these people just aren't going to do it. They  
9 don't have the resources. They don't have the  
10 knowledge.

11 And I think it's a great tool, and I have  
12 actually never heard anybody say anything bad about  
13 it. But that was -- that was the concept behind  
14 it, and I would really encourage you, because I  
15 would like to use it and, you know, in different --  
16 in different scenarios.

17 So I wanted to make that comment. Thank you.

18 MR. CICCHETTI: Mr. Smallridge, is there any,  
19 let's say, one thing that you would think would be  
20 the best to make it simpler that would make it more  
21 usable?

22 And you don't have to come up with it now. In  
23 the post-hearing comments, you know, if you could  
24 submit what you think would be best for making it  
25 more usable, we would appreciate that.

1           MR. SMALLRIDGE: Well, the first thing -- of  
2           course, it's been a lot of years since we had those  
3           original discussions. I can go back and look at my  
4           notes and see what the -- what our original  
5           thoughts were.

6           I think it -- a lot of it gets down to the  
7           accounting rule, and having to add in depreciation,  
8           and all the math and regulatory stuff that comes  
9           along with it. It just -- in order to get -- in  
10          order to get Class C owners, the mom and pops, the  
11          small systems, the mobile home parks like has been  
12          talked about here all day, you got to be make it --  
13          you got to make it easy. But it's got to work for  
14          the Commission too. I get that. There is both  
15          sides to that argument. But I think it's -- I  
16          think it's too regulatory and burdensome now.

17          MR. CICCHETTI: Okay. Well, thank you very  
18          much for your comments.

19          Any other comments on the utility reserve  
20          fund?

21          All right. That brings us --

22          MS. CLARK: Mark, I just have an overall  
23          comment that I think -- we think the rule is too  
24          burdensome to use, not that I think the company I  
25          represent would be interested in it, but I think it

1 is -- serves as an example of a cautionary tale,  
2 that here was a good idea, I think, that was  
3 rendered unusable by regulatory requirements.

4 And I had the privilege of practicing with  
5 Mary Anne's dad, Bill Birchfield, and he made a  
6 comment one time that we have all the regulatory  
7 oversight our customers can afford. And I think  
8 you need to keep that in mind, as you go through  
9 any rule-making you might, is the cost of what we  
10 are doing to the benefit of the customers? And how  
11 can we focus on those things that are material and  
12 make a material difference in rates?

13 MR. CICCHETTI: Thank you.

14 MR. FLETCHER: I just got one last comment,  
15 and maybe it's to Troy or Lila.

16 In those states that have the mechanisms,  
17 whenever they were proffered to the legislatures  
18 there, were there any requests for the commissions,  
19 the state commissions to have more FTEs for  
20 oversight of such a mechanism?

21 MS. JABER: I -- so first, they weren't  
22 necessarily all legislative, right? Just like  
23 we've done here in gas, some were probably  
24 implemented by orders. And I don't -- without  
25 going state by state, we would have to pull up, you

1 know, any legislation to see if they came with  
2 FTEs, but, yeah --

3 MS. BALLOU: I don't know that offhand, but we  
4 could look into it.

5 MR. FLETCHER: Okay.

6 MR. RENDELL: Yeah, I don't know that offhand  
7 either.

8 I don't envision that every single utility is  
9 going to use a mechanism. I just think it's a good  
10 mechanism to get the needed infrastructure and the  
11 replacements that's required, and lessen rate shock  
12 to the customers.

13 MR. CICCHETTI: Thank you.

14 All right. Michael, if you could go to our  
15 last slide, and this is just other topics for  
16 discussion.

17 Does anyone have any other thoughts, ideas or  
18 comments that they would like to make with regard  
19 to this workshop today?

20 MR. RENDELL: I just have a couple real brief.  
21 I know the day is getting late.

22 My Appendix B is for the fair market value  
23 legislation that's currently filed with the  
24 legislature -- Legislature. Sorry, it's getting  
25 late. You know, we support that. The only

1 question I brought in was the number of the  
2 existing 10,000 customers. That would be the  
3 highest in the United States. I think the highest  
4 right now is 8,500.

5 There is other restrictions in different  
6 states. Like it's only allowed for a A or B --  
7 Class A or B. I encourage, again, read through it.  
8 It's a very good paper that NRRI did, because, you  
9 know, at some point, the Commission is probably  
10 going to be asked by the Legislature to come up and  
11 give the comments. So this would give you pros,  
12 cons, analysis. They acknowledge that it's  
13 relatively new legislation in different states.  
14 But in that write-up, it also has DISC legislation,  
15 riders to ROE.

16 The only other thing that I want to bring up,  
17 and this is, I guess, me asking the Commission for  
18 help. You know, Lila mentioned, you know, there is  
19 tremendous amount of funding. Funding, funding,  
20 funding for infrastructure. Yes, for cities and  
21 counties and governments, not for IOUs.

22 We have -- there is very few, maybe one or two  
23 that I know of. You know U.S. Water's major  
24 business is governments. We run cities, counties  
25 -- we help cities, counties states, federal

1 government. We are successful in getting full  
2 grants for these cities and counties, but if one  
3 IOU tries to ask for a dime, they say no.

4 So we have tried to educate DEP that the  
5 owners don't benefit from that. The customers  
6 benefit 100 percent. So if there is this a new  
7 plant, or there is something that needs to be done  
8 and the funding comes from the state, we don't earn  
9 on that, but the customers also don't pay on that.  
10 It's CIAC.

11 There is this misconception at some of these  
12 agency that, you know, if it's a private owned,  
13 well, they are going to take that money and go to  
14 the Bahamas. Well, that doesn't happen.

15 So, you know, we ask for your help to talk to  
16 DEP, I wanted to mention this, to try to educate  
17 them that this benefits the utilities that the  
18 Commission regulates. Yes, it benefits cities and  
19 counties, but it's not helping any IOU. You know,  
20 we face that battle every day, so, you know, that's  
21 just case in point I wanted to make.

22 MR. CICCHETTI: And are you talking about  
23 environmental grants?

24 MR. RENDELL: Well, there is grants. There is  
25 low interest loan, but mostly the grants. Those --



1 the water management district has different grants,  
2 DEP has tremendous amount of grants for different  
3 -- different policies and practices, but  
4 unfortunately, when we try to go to them as an  
5 investor-owned, they are, like, we are basically  
6 shut down. It has to be -- to have all of these  
7 different requirements that basically shuts us out  
8 of the whole process.

9 MR. CICCHETTI: Okay. Anyone else?

10 MR. FRIEDMAN: Mark, I -- and I won't  
11 reiterate my little nitpicky ones. I will put them  
12 in a post-hearing, but, yeah, getting rid of paper  
13 filings. We still have way too many paper filing  
14 requirements that are unnecessary.

15 We are still giving notices in newspapers of  
16 different proceedings at the Commission. And I  
17 think even the Legislature passed some bill that  
18 cities and states don't have to publish notices in  
19 newspapers anymore. You know, that -- people,  
20 other than myself, people don't read newspapers,  
21 you know, real newspapers anymore.

22 There is also a requirement that, on a  
23 territory extension, you give notice to everyone of  
24 your customers of a territory amendment no matter  
25 how small, and that's an expensive proposition for

1 a company. We have been asking for waivers, and  
2 typically we've gotten the rule waivers from all of  
3 that, but that's time and energy and effort because  
4 the utility, the staff and myself to have to go  
5 through that process.

6 And so, you know, if we are looking at maybe  
7 updating some rules, maybe one of them would be,  
8 you know, why did we put that requirement to notify  
9 everybody, all 34,000 customers, if we are adding,  
10 you know, 100 customers to a service area?

11 And some other really minor stuff that I will  
12 just put in writing. It doesn't deserve everybody  
13 having me nitpick about my pet peeves.

14 MR. CICCHETTI: Thank you, Marty.  
15 Jared.

16 MR. DEASON: I just have one comment, and this  
17 goes back to a limited proceeding I filed several  
18 years ago, actually before a consolidated rate  
19 case, and what gets me is there is no time certain  
20 for a limited proceeding.

21 I know the Commission has had success in doing  
22 these, and processing them very quickly, but not  
23 for my company. The last time I did one, it took  
24 longer than a fully litigated rate case. And I  
25 don't think -- in my opinion, there is no reason

1           why it should take that long. So I would like to  
2           see a reasonable amount to be placed, and a time  
3           certain to process a limited proceeding.

4           MR. CICCHETTI: Thank you, Jared.

5           Anyone else?

6           All right. We started the day --

7           MR. SMALLRIDGE: I have one.

8           MR. CICCHETTI: Oh, Mr. Smallridge.

9           MR. SMALLRIDGE: Thank you. I will be brief.

10           I have a couple of things here that I don't  
11           know if the Commission has jurisdiction to do this  
12           -- some of this stuff. It may be inactive with the  
13           Florida Legislature and maybe you don't want to do  
14           it, but this is more operational day-to-day things.

15           Customer deposit refunds. Two years ago I  
16           wrote a check, a customer deposit refund check for  
17           eight cents. I photo copied it. It hangs on my  
18           desk.

19           I think the answer to that is -- I am not  
20           trying to deceive any customer of money that their  
21           deposit that's due to them. But what ends up  
22           happening is that a lot of cases I have to refund  
23           back to the customers, it costs me more to send  
24           them their refund check. And so I didn't know if  
25           it was possible to put -- my suggested solution is

1 put a -- some kind of a limit on how much we have  
2 to refund, or allow me to charge some kind of  
3 administrative fee that covers the cost.

4 In my office, we -- my accountant prepares the  
5 checks, customer refund checks, and I -- we send  
6 them out. We put a stamp on them. Somebody puts  
7 them in an envelope. They get mailed back. And we  
8 did a little experiment for one month, so just as  
9 internal, and we figured out, you know, a customer  
10 moves, they move to the next address, sometimes the  
11 mail doesn't always work, and actually about  
12 one-third of them come back to the office. And I  
13 get these little yellow tags the Post Office puts  
14 on that says, unable to forward, or it gives a new  
15 address. And so the ones with the new address, my  
16 staff takes them back. We put them in a different  
17 envelope, readdress them, put a stamp on them, mail  
18 it back out. But what ends up happening is the  
19 customers that are currently active in the system  
20 end up paying for all of that.

21 So like I say, if we could -- if we could  
22 recover some of those costs, either limit the  
23 amount, or put some kind of administrative fee in  
24 there.

25 The other thing was, me and my staff did one

1 day -- and I would encourage who doesn't believe to  
2 do for themselves. We got on the internet and we  
3 looked about -- people in my office, my staff live  
4 in different areas, and I asked them, I said, it  
5 revolves around these homeowners that rent their  
6 properties out, the renters skip town and leave.  
7 The utility has to pay the bill, which eventually  
8 comes back to existing customers. And we started  
9 looking on websites and calling other utilities,  
10 and I have come to the conclusion that virtually  
11 every other utility in the state, city, county,  
12 co-op, whatever, besides utilities that are  
13 regulated by the Florida Public Service Commission  
14 hold the property owners responsible for tenants  
15 that are skipping out on bills. It's there. I  
16 have done it.

17 I am part of a Pasco County Utilities, and  
18 when you do the application, there is a thing on  
19 there that says, you know, if you rent your house  
20 out, you are responsible.

21 I actually own the first house that I ever  
22 bought. It's -- it's in Floral City, Florida, the  
23 Floral City Water Association. They are a private  
24 nonregulated system. And I recently had to pay  
25 \$142 water bill because my tenant skipped out.

1           So I am just saying I think it's time for the  
2           Commission to catch up on those, because virtually  
3           every other utility in the state does it in some  
4           way or manner.

5           MR. CICHETTI:   Okay.   Do you have a  
6           recommendation for a de minimis amount that you  
7           wouldn't have to make a refund for?

8           MR. SMALLRIDGE:   We actually figured it up  
9           kind of roughly in our heads.   By the time we mail  
10          them out, I think it should be \$3 to \$4.   I mean, I  
11          can't -- we actually tried to do it for a couple of  
12          months, and there is really not a whole lot of  
13          consistency there.   Sometimes you get more back in  
14          the mail and you don't have to remail them back  
15          out.   But, you know, it's the staff time.   So it's  
16          kind of a difficult thing to calculate.

17          But if you think about it from an  
18          administrative fee that I don't have to refund,  
19          which would be my preferred way to go, I could  
20          calculate some costs, cost of an envelope, a couple  
21          of stamps, you know, staff time doing this stuff.  
22          You know, even somebody like some of these guys  
23          that have tens of thousands of customers, I can't  
24          speak to their experience because it may be worse.  
25          I mean, I don't have a lot of customers, so we

1           don't do this a whole lot. It's just the fact that  
2           you have got to sign a check for \$1.56 or \$3.25,  
3           mail it out to the customer, get it back, put  
4           another stamp on it, and we -- we usually get -- we  
5           were kind of doing our own little internal  
6           investigation. There is about anywhere from two to  
7           four checks a month that we send back out that are  
8           undeliverable, and what do you do with them? We  
9           have no forwarding address. So then the accountant  
10          has to go back and, you know, go through the  
11          procedure. So it's just -- it's tedious.

12                 MR. CICCHETTI: Okay. Thank you very much.

13                 MR. RENDELL: Mark, real quick --

14                 MR. CICCHETTI: Okay.

15                 MR. RENDELL: -- and I promise hopefully this  
16          will be the last one.

17                 It's to the second point that Mike brought up,  
18          and I 1,000 percent agree with him. Back years  
19          ago, when I was on staff, we were beginning to look  
20          at that, tenants and, you know, homeowners. And  
21          unfortunately, we had high workload and low  
22          staffing, and it kind of dropped off. And that was  
23          back in -- a long time ago.

24                 Anyway -- but we have the same issue. We very  
25          tenants running up \$2,000 bills, \$3,000 bills and

1 skip town, or they move to another address. We try  
2 to catch those where they put it n their  
3 boyfriend's name, or girlfriend's name, whatever.  
4 It's a huge problem. And he is right, there is  
5 other -- we also run -- U.S. Water runs FGUA, which  
6 is one of the largest water and wastewater  
7 providers in the state of Florida. They do the  
8 exact same thing. They hold the homeowner  
9 accountable.

10 So I urge the Commission to look into that,  
11 because it's costing a lot of money and bad debt,  
12 which the other ratepayers pay for who do pay their  
13 bills. There should be some kind of mechanism to  
14 hold the landlord or the homeowner accountable when  
15 their tenants run up \$2,000 or \$3,000 bills and  
16 don't pay.

17 MR. CICCHETTI: Thank you, Troy.

18 MR. DEASON: I was just going to speak to your  
19 question about the de minimis costs that you asked  
20 Mr. Smallridge. It sounds to me like a lot of  
21 those administrative costs are very similar to when  
22 I process a late payment charge, and I think the  
23 cost is right around \$7. So I was just wanting to  
24 throw that out there.

25 MR. CICCHETTI: Okay. Thank you, Jared.



1 All right. We started the day talking about a  
2 time period for postworkshop comments, and I would  
3 like to hear from everybody on what amount of time  
4 they think they need, but let's start with Mr.  
5 Rehwinkel.

6 MR. REHWINKEL: Yes, Mark, a couple of  
7 prefatory remarks to the schedule concept I am  
8 going to throw out there.

9 We started off sort of, I would say, in  
10 negative frame of mind. We listened to everybody  
11 today. I think that the Commission does possess  
12 the ability to make some changes that will be  
13 beneficial to the customers and will provide  
14 positive incentives to the utilities and other  
15 investors. We want to engage in a dialogue. We  
16 don't want to be naysayers. We will be  
17 constructive in this process.

18 I would ask that you consider doing this, is  
19 have an initial round of comments and ask for  
20 proposals, concrete proposals, and then have a  
21 round where people can comment on those proposals  
22 if they like, and then let's come back and do  
23 something like this again, because this is  
24 constructive.

25 I mean, we listened to the companies. They

1           have told -- they have said things to us that  
2           resonated, that, yes, maybe there is something that  
3           can be done. Of course, I am going to throw out my  
4           stake position, and I think some of these folks  
5           have thrown out their stake position.

6           I am also willing to sit down and talk and  
7           negotiate if they want to do that. I say I. I  
8           think the Office of Public Counsel is willing to do  
9           that. And maybe, if people are willing to hit  
10          singles and doubles and not grand-slams, we can  
11          work something out within the Commission's process  
12          that will be worthwhile.

13          I just throw that out there. I think that way  
14          this can be a constructive process and not a  
15          combative one.

16          MR. CICCHETTI: Okay. Anyone would like to  
17          comment on Mr. Rehwinkel's comments?

18          Hearing none. Mr. Rehwinkel, this first round  
19          of comments -- and we could talk about whether we  
20          -- well, let me explain what we were thinking.

21          We -- this is a process, and we wanted to have  
22          this workshop to meet the Commission's goals of  
23          coming up with ways to improve and incent  
24          infrastructure investment. So we thought we would  
25          either have another workshop following the

1           comments, or perhaps put together some solid  
2           proposals and vet those. We can do it however  
3           everyone thinks is the best way to go. But we  
4           certainly want at least a first round of comments,  
5           and then maybe they could be addressed in the  
6           subsequent proceeding, or you are saying respond to  
7           everyone's comments.

8           MR. REHWINKEL: If I could amend my proposal,  
9           is maybe to do what I suggested, but between the  
10          next get-together, if we have one, and the reply  
11          comments, is the staff put something and take, you  
12          know, say what you think maybe are some things that  
13          people ought to consider taking forward. I don't  
14          -- I suspect you are not going to propose  
15          everything up there and have a comprehensive do  
16          this. Maybe you will. But maybe the staff could  
17          be a narrowing -- you know, you could apply your  
18          expertise and say, hey, we have looked at this, we  
19          have looked at this, and how about we put this out  
20          there as a strawman, and then we could come back  
21          and we can talk about that?

22          MR. CICHETTI: That's what we were  
23          contemplating.

24          MR. REHWINKEL: Okay. So three -- maybe three  
25          or -- so I would suggest four -- three weeks, then,

1           would be fine to have an initial round. And then  
2           maybe two weeks to have replies, if that works.  
3           And then you guys put something out, and then you  
4           come up with a time where we do this again. And we  
5           will participate full -- full bore.

6           MR. CICCHETTI: Any comments about that time  
7           period?

8           MS. CLARK: You know, I don't disagree with  
9           the notion of having what I will call reply  
10          comments. I just wonder if, given how many we  
11          would need -- would come in initially, would it  
12          make sense to give three weeks for the replies as  
13          well? Because you want to digest what folks have  
14          said.

15          I mean, a lot of us already know, you know,  
16          what we want to emphasize in posthear --  
17          postworkshop comments, but we don't know what other  
18          people are going to propose, and it may take a  
19          while to review those.

20          MR. CICCHETTI: Mark, do you have any of  
21          preferences?

22          MR. FUTRELL: I don't. I think -- I would  
23          just suggest that I think it would be helpful. I  
24          think it's Doug and Mark's intention that we follow  
25          the questions, that your comments be structured

1 along the lines of the questions. Certainly that  
2 shouldn't limit anything you want to say and expand  
3 upon, but I think that will help us kind of keep  
4 things organized.

5 And also maybe, if we are going to have a  
6 notion of reply comments, that will allow everybody  
7 else to kind of have a focus on what they are  
8 reading and reply to it appropriately.

9 So that would be my only request, is that we  
10 follow the questions, at least a loose structure of  
11 those on your comments. But the idea of three  
12 weeks for reply, I don't have a problem with that.

13 MR. REHWINKEL: I support that. I think it's  
14 actually a better idea than I had.

15 MR. CICHETTI: And that is we are going to  
16 have three weeks for comments and then three weeks  
17 for reply comments? Is everyone fine with that?

18 MR. BRISÉ: So, no. We were -- we were  
19 thinking that if we had a month for the initial  
20 comments, right? And then three weeks for the --  
21 for the reply would be good.

22 MR. CICHETTI: Well, I am fine with that.  
23 Everyone fine with that?

24 MR. REHWINKEL: Yeah.

25 MR. CICHETTI: Okay. So we will go with four

1 weeks for initial comments, and then three weeks  
2 for reply comments, and then staff will be back in  
3 touch with how we think we should proceed from  
4 there.

5 Again, on behalf of the Commission, thank  
6 you --

7 MS. HELTON: Mark. Mark. Mark. Let's  
8 just -- let's put the dates out there so we are not  
9 having to -- you know, everybody's calendar is  
10 different.

11 MR. CICCHETTI: Okay.

12 MS. HELTON: So that makes it March 1st for  
13 the initial round, and March 22nd for the reply  
14 round.

15 MR. CICCHETTI: Thank you, Mary Anne.

16 MS. HELTON: Is everybody good with that?

17 MR. REHWINKEL: Yep.

18 MR. CICCHETTI: I want to thank everyone. I  
19 think we had a very useful, beneficial workshop.  
20 Everyone travel safe, and thank you again for  
21 coming.

22 (Proceedings concluded.)

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