

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

FILED 12/20/2018
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FPSC - COMMISSION CLERK

In the Matter of:

DOCKET NO. 20180063-WS

APPLICATION FOR LIMITED
PROCEEDING RATE INCREASE
IN POLK COUNTY BY ORCHID
SPRINGS DEVELOPMENT
CORPORATION.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 15

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW G. FAY

DATE: Tuesday, December 11, 2018

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

REPORTED BY: ANDREA KOMARIDIS
Court Reporter and
Notary Public in and for
the State of Florida at Large

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

2 CHAIRMAN GRAHAM: Okay. Let's move on to Item
3 No. 15. Okay. Staff, take me to No. 15.

4 MR. BETHEA: Good morning, Commissioners.
5 Terence Bethea on behalf of staff.

6 Item No. 15 is a limited proceeding
7 application for a rate increase filed by Orchid
8 Springs Development Corporation. Orchid Springs is
9 a Class C utility providing water and wastewater
10 service to approximately 336 customers in Polk
11 County.

12 Orchid -- Orchid Springs' last SARC was in
13 2014. Orchid Springs wants to recover costs
14 associated with plant investment and the operation
15 and maintenance cost that has increased since its
16 last rate case in 2014. Orchid Springs requested a
17 34-percent rate increase to water and 25-percent
18 rate increase -- rate increase for wastewater.

19 Staff is recommending a rate increase of 8.35
20 for water and 11.73 for wastewater. Staff applied
21 the recommended percentage increase -- increases
22 across the board to existing rates.

23 Four customers provided correspondence, and
24 their correspondences were addressed. The utility
25 and its counsel, Marty -- Martin -- Marty

1 Deterding -- the ut- -- the utility and its
2 counsel, Marty Deterding, would like to speak, and
3 also OPC is present. Staff is available for any
4 questions that you may have.

5 CHAIRMAN GRAHAM: Thank you, staff.

6 I assume OPC is here just to respond to the
7 utility. So, we'll start with the utility.

8 MR. DETERDING: Thank you, Commissioner.
9 F. Marshall Deterding here on behalf of Orchid
10 Springs Development Corporation. With me is Steve
11 Cassidy, the manager of the utility, and Carol
12 Rhinehart, the secretary/treasurer.

13 First, I think it's important that we thank
14 the staff. They have worked hard on going through
15 this application and -- and asking a lot of
16 pertinent questions. They've made adjustments to
17 almost all the areas where we have proposed
18 additional considerations, but we only wish to
19 address one; and that is the biggest one.

20 The largest request in this case was a request
21 for the Commission to recognize the actual and
22 appropriate charges for president and management
23 salaries, which we believe were not properly
24 recognized in the most-recent prior staff-assisted
25 rate-setting for this utility.

1 As an example in that case, staff allowed \$20
2 an hour as an appropriate basis for our president's
3 salary based upon a recent case and disallowed the
4 proposed salaries requested by the utility.

5 It's our position that an allowance such as
6 that is not reasonable for a full-time president of
7 a utility, much less a situation where a president
8 is a part-time and effectively on-call.

9 So, in this case, the utility has sought, as
10 our largest proposal for change, to readdress that
11 issue of management salaries. This represents
12 approximately half of the requested increase in
13 this case.

14 We presented an analysis of recent cases where
15 management salaries were considered. And based
16 upon those four small-company cases, we proposed an
17 average cost per customer served for management
18 salaries be granted in this case.

19 The staff recommendation suggests the
20 utilities failed to show any changes in duties from
21 the last case and, therefore, rejects the utility's
22 proposal in its entirety.

23 It's our contention the utility not only
24 presented a reasonable basis for recognition of
25 management salaries using those granted by this

1 Commission previously, but we also outlined the
2 reasons why this aging utility system requires more
3 management time and effort than the average system
4 regulated by the Commission. As such, recognition
5 of those proposed costs should be granted in this
6 case.

7 We have provided an Exhibit 5 to the
8 application that goes through that analysis of --
9 of costs recently granted. And I've got copies of
10 that Exhibit 5 if anybody needs -- needs one, to
11 review it, but we believe it should be considered.

12 We believe it is a conservative estimate,
13 especially in light of the fact it's based upon a
14 cost per customer. And in this case, the utility's
15 number of customers includes several multi-family
16 buildings that effectively create a much larger
17 number of ERCs being served.

18 So, we believe that our estimates in that --
19 in that Exhibit 5 were -- were very reasonable,
20 under the circumstances.

21 That's all I have.

22 CHAIRMAN GRAHAM: OPC.

23 MS. PONDER: Thank you, Mr. Chairman.

24 Virginia Ponder for the Office of Public Counsel.

25 And we are here just in support of staff's

1 recommendation and their analysis.

2 CHAIRMAN GRAHAM: Nothing specific to what the
3 utility just said?

4 MS. PONDER: To -- yes, my apologies, to the
5 management salaries. That's correct.

6 CHAIRMAN GRAHAM: Okay. Staff.

7 MR. BROWN: Commissioner, Todd Brown,
8 Commission staff.

9 Staff did look at the Exhibit 5, which the
10 utility provided. Did not find it very persuasive.
11 I mean, typically, we look at salaries in these
12 water and wastewater cases on a case-by-case basis.
13 Sometimes we do look at or try to compare them to
14 other utilities of like size.

15 In this particular case, staff looked back at
16 the last rate case for Orchid Springs. Staff did a
17 very thorough job recommending the salaries it did
18 in that rate case.

19 And going back through some of the discovery
20 material as well as the material that was in the
21 audit file, staff found that most of the -- the
22 reasons the utility had provided here for an
23 increase in u- -- in salaries were the same reasons
24 they provided in the last rate case; therefore, the
25 utility -- staff did not believe the utility

1 provided new information that would warrant those
2 increases, and that's why we kept salaries
3 consistent with the last rate case.

4 CHAIRMAN GRAHAM: Yes, sir.

5 MR. DETERDING: Commissioners, Mr. Cassidy
6 would like to speak to that issue, if he could,
7 just for a -- a second.

8 CHAIRMAN GRAHAM: Sure.

9 MR. CASSIDY: Commissioners, thank you for the
10 opportunity to speak.

11 As staff mentioned, our -- our last SARC was
12 in -- was submitted in 2014. Prior to that, the
13 last rate case, I believe, went back to 1997. We
14 went through a -- a very long period of time where
15 we had not, you know, sought an increase. We were
16 able to maintain our costs, provide, you know, low-
17 cost service to our customers, provide a, you know,
18 reliable, consistent service to them.

19 You know, as -- as Commissioner Polmann
20 mentioned, you know, we are one of those small, old
21 utilities, but unlike others, you know, we've never
22 been a problem to the State, and we've never been a
23 problem to our customers. We've -- we've always
24 tried to provide, you know, adequate -- you know,
25 consistent service to them. Our costs have always

1 been relatively maintained.

2 But when we came in 2014 with our SARC, we had
3 requested an increase in salaries from the 1997
4 SARC. And for whatever reason, then, staff saw
5 that the request for increase was unwarranted and
6 it was ultimately reduced. The salaries that we
7 collect today are less than the salaries we
8 collected back in 1997.

9 The requests that we're making today are to
10 bring the salaries and wages back more in line with
11 where they were from 21 years ago. And I -- and I
12 thought -- I just thought that that was really
13 critical, very important that I share that with
14 you.

15 We want to continue to be relevant, reliable
16 to our customers. We don't want to be a problem to
17 the State. We would just simply like to be
18 recognized and compensated for the level of work
19 that we provide to this utility.

20 Thank you.

21 CHAIRMAN GRAHAM: Thank you, sir.

22 MR. DETERDING: And Commissioner, just for
23 your information, the -- the wastewater system was
24 taken -- the wastewater plant was taken offline.
25 And staff has noted that in -- in the

1 recommendation here and in the prior staff-assisted
2 rate case. And we recognize that changes some
3 things, but this is an aging system.

4 It's been 21 years, as -- as Mr. Cassidy
5 notes, since the -- the staff looked at that issue
6 and -- and set the -- the wages that were
7 basically -- I think we have, for the most part,
8 just carried them forward, but we are now past the
9 useful life of the distribution and collection
10 system.

11 So, the utility has admittedly dropped the
12 treatment side of wastewater, but they have other
13 issues that are arising frequently and -- and I --
14 one of the other issues in here is indicative of
15 that; that is, we have to buy emergency water from
16 the -- from the local municipality. And it's more
17 and more frequent. I mean, it -- it -- because of
18 failing facilities.

19 I mean, we're -- we're trying to put forward a
20 plan, as we discussed in our discussions back and
21 forth with staff, to -- to make long-term changes
22 to try and put in a maintenance program that will
23 ensure that these things don't happen as often, but
24 again, that -- that gets into more management time,
25 too.

1 All we're saying is, is, yes, we recognize
2 there have been some changes that you would think
3 would reduce some management time, but there have
4 been other increases that would increase management
5 time required and -- and we're just seeking to have
6 something that we believe was a reasonable basis
7 for increasing the -- the management costs to a
8 level that is, we thought, commensurate with recent
9 cases.

10 CHAIRMAN GRAHAM: Commissioners.

11 Commissioner Brown.

12 COMMISSIONER BROWN: Sure.

13 Mr. Brown, first of all, thank you for your
14 analysis -- and Mr. Bethea. I thought, Issue 1 --
15 I thought -- really, I thought it was fantastic
16 until I just heard the gentleman's comment about
17 his salaries being the same as they were back in --
18 1993?

19 CHAIRMAN GRAHAM: '97.

20 MR. CASSIDY: Currently, they are less than
21 they were back in 1997.

22 COMMISSIONER BROWN: I am confused now.

23 CHAIRMAN GRAHAM: They did the --

24 MR. BROWN: I did not go back to 1997. What I
25 did -- as a starting point, I looked at the last

1 rate case. And staff made numerous changes in the
2 last rate case to kind of -- to bring it -- I
3 guess, for the salary picture to look as complete
4 as possible, given the current operating
5 conditions, at the time of the utility. The
6 operating conditions in 2014-2015 are the same
7 operating conditions that I recognized in our part
8 of the recommendation.

9 COMMISSIONER BROWN: Okay. So, did you
10 compare the salaries to the -- benchmarking AWWA
11 and reviewing and making the recommendation?

12 MR. BROWN: I did not benchmark them against
13 AWWA because I think, a lot of times, with the
14 small water and wastewater utilities like this,
15 they -- they don't reflect an accurate comparison.

16 One of the things I used was Mr. Deterding's
17 Exhibit No. 5, just as kind of a -- as a -- as a
18 check. And the salaries that were approved in the
19 last rate case are relatively low compared to most
20 of those on the list. East Marion stands out -- I
21 don't know if each of you has that exhibit.

22 COMMISSIONER BROWN: We don't have that --
23 could we have someone assist Mr. Deterding,
24 please -- we'll have someone from staff.

25 MR. DETERDING: Okay.

1 MR. BROWN: It's not part of staff's
2 recommendation, but...

3 COMMISSIONER BROWN: I'm just confused how
4 it -- the salary went down from the 2015 rate case
5 from the prior --

6 MR. BROWN: One of the other pieces of the
7 puzzle in the last rate case was that it appeared
8 from what I read in that recommendation and the
9 order was that the City of Winter Haven had been
10 contracted to take care of a lot of the utility
11 operations.

12 And Mr. Deterding, if I misspeak, correct me,
13 but based on the -- on what I saw in that
14 recommendation, the City of Winter Haven took on a
15 lot of the system maintenance and repairs for the
16 water and wastewater systems. And that's one of
17 the reasons staff --

18 COMMISSIONER BROWN: Oh.

19 MR. BROWN: -- made that adjustment to
20 decrease salaries in that rate case.

21 COMMISSIONER BROWN: Okay. So, that's why
22 the -- the salaries were decreased. It -- I --

23 MR. CASSIDY: Yeah, I would like to respond to
24 that. We do have an agreement with the City of
25 Winter Haven. We were basically sending our

1 wastewater to them. We have an agreement with them
2 for the maintenance, but the maintenance only
3 pertains to major issues. The vast majority of the
4 repair and the maintenance of the system are
5 performed in-house.

6 Occasionally, when there's a major break, you
7 know, we have the option -- we have the luxury of
8 being able to call the City and -- and they will
9 respond to it, if we call them, but we -- we do
10 everything within our power to -- to minimize the
11 amount of calls that we -- that we do, in fact,
12 place to them.

13 COMMISSIONER BROWN: How many hours would you
14 say that you invest as -- as a manager and
15 president of the company a week or month?

16 MR. CASSIDY: Yeah, it -- you know, it varies.
17 You know, there may be weeks where it may be, you
18 know, just five, ten hours a week. There may be
19 weeks or -- you know, that go by where I'm really
20 heavily involved with a civil-engineering issue
21 where I'm spending, you know, maybe 20, 30 hours a
22 week. It -- it -- it fluctuates. There's really
23 no set amount of time that I -- that I could state
24 that I dedicate to it.

25 COMMISSIONER BROWN: Since the

1 interconnection, though, it -- your duties and
2 hours that you spend per week have declined.

3 MR. CASSIDY: No, that's not correct. No,
4 when -- when we -- when we decommissioned our --
5 our wastewater plant and we started sending our
6 wastewater to the City for treatment, the only
7 thing that changed in our system was the -- the
8 termination of our plant manager. All right. So,
9 the plant, itself, is gone. The plant manager and
10 the associated cost of that is -- has disappeared,
11 but all of the day-to-day field operations
12 continue.

13 I mean, we -- we have -- between the potable
14 and wastewater main lines, we have several miles of
15 line that -- that we maintain. We have four lift
16 stations and one master lift station that we
17 maintain.

18 COMMISSIONER BROWN: Thank you.

19 Mr. Brown, how much currently is the cost per
20 customer based on the current salary for this
21 utility?

22 MR. BROWN: Based on what was approved in the
23 last rate case, for the president, it would be
24 \$33.50 per customer.

25 COMMISSIONER BROWN: I see.

1 MR. BROWN: For the utility manager, 49.82.

2 Now, if you will allow me to, I'll -- I'll add
3 that while not on his exhibit -- and several recent
4 dockets that came before you -- I believe, at the
5 last agenda, Country Walk and Pine Harbour, we
6 were -- and, granted, those are only -- I believe
7 they're both water systems only, but they we were
8 at \$42.25 per customer for Country Walk and \$50 per
9 customer for Pine Harbour, just as a -- as a sanity
10 check.

11 COMMISSIONER BROWN: Thank you.

12 Thank you, Mr. Chairman.

13 CHAIRMAN GRAHAM: Commissioner Clark.

14 COMMISSIONER CLARK: Thank you, Mr. Chairman.

15 Mr. Cassidy, are you the president or are you
16 the manager?

17 MR. CASSIDY: I'm the manager.

18 COMMISSIONER CLARK: You're the manager.

19 And what is relation of the president to you,
20 Mr. Albert Cassidy?

21 MR. CASSIDY: That's my brother.

22 COMMISSIONER CLARK: That's your brother.

23 Okay.

24 Is this a full-time job for you? Is this your
25 only job, only source of income?

1 MR. CASSIDY: No, it is not.

2 COMMISSIONER CLARK: And you gave Commissioner
3 Brown kind of an idea of how many -- some of your
4 work hours. What would you say your average hours
5 a week committed solely to this utility are, in a
6 year? Ballpark it for me.

7 MR. CASSIDY: Somewhere between 10 and 15.

8 COMMISSIONER CLARK: Okay.

9 CHAIRMAN GRAHAM: Okay. Commissioners, any
10 other questions, concerns, comments, on this
11 utility and Item No. 15? If not, I will entertain
12 a motion.

13 Or I will give someone the gavel and I'll make
14 a motion.

15 COMMISSIONER CLARK: Mr. Chairman, I'll move
16 staff recommendation.

17 CHAIRMAN GRAHAM: It's been moved and second,
18 staff recommendation Item No. 15. Any further
19 discussion?

20 Seeing none, all in favor, say aye.

21 (Chorus of ayes.)

22 CHAIRMAN GRAHAM: Any opposed?

23 COMMISSIONER BROWN: Nay.

24 CHAIRMAN GRAHAM: By your actions, you've
25 approved the action on staff's recommendation on

1 Item No. 15.

2 MR. DETERDING: Thank you, Commissioners.

3 CHAIRMAN GRAHAM: Okay.

4 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

IT IS FURTHER CERTIFIED that I
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
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I FURTHER CERTIFY that I am not a relative,
employee, attorney or counsel of any of the parties, nor
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attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED THIS 20th day of December, 2018.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021

Exhibit No. 5
Orchid Springs Development Corp.
Comparison of Recently Approved Utility Manager Salaries

Line No.	Utility Name	Annual Salary (1)	Customers Served	Cost Per Customer	
	2015 AWWA Compensation Survey				
1	for Mid-Point General Manager	\$ 88,844			See PAA in Docket No. 160065-WU
2	Orchid Springs President	\$ 10,400	310	\$ 33.55	Based upon \$20/hr and 10 hours/wk per last SARC.
3	Orchid Springs Utility Manager	\$ 15,443	310	\$ 49.82	Per last SARC
4	East Marion Utilities, LLC President	\$ 72,704	2000	\$ 36.35	Docket No. 150257-WS
5	ESAD Enterprises, Inc. President	\$ 32,400	320	\$ 101.25	Docket No. 20160165 SU
6	Vice President	\$ 28,800	320	\$ 90.00	
7	Bocilla Utilites, Inc. General Mgr.	\$ 71,075	400	\$ 177.69	Docket No. 160065-WU
8	Neighborhood Utilities, Inc. President/Manager	\$ 44,400	441	\$ 100.68	Docket No. 150181-WU See PAA
	Salary Requested for Orchid Springs:				
9	President-Albert Cassidy	\$ 30,000	310	\$ 96.77	
10	Manager-Steve Cassidy	\$ 40,000	310	\$ 129.03	
11	Total Requested Salary	\$ 70,000			
12	Requested Increase Over Existing	\$ 44,157			
	Requested Split and Rate Impact				
13	Water (Grossed Up for RAFs)	\$ 23,119			
14	Sewer (Grossed Up for RAFs)	\$ 23,119			

(1) Excluding Benefits

Parties/Staff Handout
 Internal Affairs Agenda
 on 12/11/18
 Item No. 15