



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

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2           **CHAIRMAN BRISÉ:** Moving on to item number 7.

3           **MS. BUYS:** Good morning, Commissioners. I'm  
4 Penelope Buys with the Commission staff.

5           Item 7 is staff's recommendation for Sunlake  
6 Estates Utilities' application for original water and  
7 wastewater certificates and initial rates and charges in  
8 Lake County. Historically the services were included in  
9 the lot rental fee and therefore exempt from Commission  
10 jurisdiction.

11           St. Johns River Water Management District  
12 issued a consumption use permit requiring the community  
13 to reduce its consumption of water. As part of the  
14 application, the utility is proposing to implement, to  
15 implement a water conservation rate structure. Staff is  
16 recommending that the Commission grant the utility's  
17 application for original certification, as well as the  
18 initial rates and charges shown on schedules 2 and 3.  
19 Based on the proposed revenues, the utility will be a  
20 Class C water and wastewater utility.

21           **CHAIRMAN BRISÉ:** All right. Thank you. Any  
22 questions?

23           Commissioner Balbis.

24           **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.  
25 I have one or two questions.

1           The only concern I had with this item is the  
2 setting up of the tiers for the rate structures, and  
3 it's my understanding from meeting with staff that, you  
4 know, currently, although there are meters in this  
5 development, they're not being billed as such but that  
6 the usage is quite high. I believe it was 16,000  
7 gallons per month; is that correct?

8           **MS. DANIELS:** That's correct, Commissioner.

9           **COMMISSIONER BALBIS:** And my concern is that  
10 with staff's recommendation of going to a two-tier level  
11 of up to 3,000 gallons, if, if that's a good estimation  
12 of what the nondiscretionary usage would be. So my  
13 question for staff is do you, do you feel that going to  
14 the 3,000 gallon first tier for nondiscretionary is  
15 appropriate, and would it be better to perhaps go to a  
16 higher tier, like 5,000 gallons per month, which is what  
17 we've done in the past?

18           **MS. DANIELS:** Commissioner, the 3,000 gallons  
19 for the nondiscretionary is consistent with what we've  
20 done in the past. It assumes 50 gallons per person per  
21 day for 30 days and, in this particular community, two  
22 people to the household. So it is consistent with what  
23 we've done in the past.

24           To truly know what any given household's  
25 nondiscretionary usage is is impossible. So it is an

1 estimate. 5,000 gallons is certainly a more generous  
2 estimate.

3 **COMMISSIONER BALBIS:** So staff believes that  
4 the customers will go from 16,000 gallons per month to  
5 3,000 gallons per month?

6 **MS. DANIELS:** No, sir. We -- the  
7 nondiscretionary usage is simply the amount that we  
8 believe is necessary and not optional usage. There is  
9 also the discretionary usage that the customers will  
10 have as well, which right now if 3,000 gallons is  
11 nondiscretionary and they're using 16,000, then there's  
12 13,000 gallons of discretionary usage. So the  
13 customers, we believe, will reduce their amount of usage  
14 by some amount from 16,000, but there will be that  
15 nondiscretionary usage as well -- I'm sorry --  
16 discretionary usage.

17 **COMMISSIONER BALBIS:** Okay. And I had asked  
18 staff, Commissioners, to come up with what would be the  
19 appropriate charges to our 5,000-gallon tier, and they  
20 supplied that along with a three-tiered approach, which  
21 in looking at it looks as if the base facility charges  
22 and also the charge per thousand gallons is less than  
23 what staff recommended. Could you explain that?

24 **MS. DANIELS:** Commissioner, when we looked at  
25 a two-tier rate structure using 5,000 gallons as the

1 nondiscretionary amount, the base charge went from  
2 \$10.02 at staff's recommendation to \$10.12. And that  
3 occurs because when you include more gallons in the  
4 nondiscretionary category, then the gallons -- there are  
5 fewer gallons in the discretionary category that are  
6 available for repression. With repression we make  
7 adjustments to chemicals and electricity because we  
8 assume that with the less usage there will be less  
9 expense, expenses for chemicals and electricity. And  
10 what that does is it slightly increases the amount that  
11 can be included in the base charge, so thus the \$10.12.

12           The fallout for the gallonage charges is  
13 \$1.06, which is, as it happens, the same as if we were  
14 using the 3,000 gallons for the nondiscretionary. And  
15 the gallonage charge for 5,000, over 5,000 gallons is  
16 \$1.77. So that's what the rate structure looks like if  
17 you have a two-tier rate structure with 5,000 gallons of  
18 nondiscretionary usage.

19           And if you'd like, I'll describe the  
20 three-tier as well. Okay. With the three-tier we,  
21 again taking the same revenue requirement, we looked at  
22 the first year of 3,000 gallons, and we can calculate  
23 any, any nondiscretionary level you'd like. We simply  
24 went back to the three-tier for this particular  
25 calculation, and it came up with a base charge of

1 \$10.04, 90 cents per thousand for the first  
2 3,000 gallons, \$1.17 per thousand for usage between  
3 3,000 and 6,000 gallons, and \$1.46 for usage over 6,000.

4 **COMMISSIONER BALBIS:** Okay. And I guess for  
5 my colleagues, you know, my concern is that these  
6 customers are currently not billed with individual  
7 meters. You know, I suppose going with staff's  
8 recommendation is a good start. I'm concerned that  
9 going from 16,000 to 3,000 might be difficult. I don't  
10 know what the result would be other than customers  
11 having to pay more for this higher usage. But I'd like  
12 to hear from fellow Commissioners any thoughts on that.  
13 I think 5,000 gallons is more appropriate, but, I mean,  
14 I don't think it's going to be that much of an impact to  
15 be honest. I think that staff continuing to use 50  
16 gallons per person per day, although it is supported in  
17 some documentation, is a little bit low from what I'm  
18 used to seeing and what some water management districts  
19 look at as an acceptable goal. But just curious to see  
20 if any other Commissioners have any thoughts on it.

21 **CHAIRMAN BRISÉ:** Sure. Thank you,  
22 commissioner Balbis.

23 Commissioners, any additional thoughts or  
24 comments on this?

25 Commissioner Graham.

1           **CHAIRMAN GRAHAM:** You know, I, I understand  
2 where the, the water management district is coming from  
3 as far as trying to get some control over what's going  
4 on here because these guys are exceeding their  
5 consumptive use permit, and I think as a whole as a  
6 state we're trying to get more, our hands around water  
7 conservation.

8           I think -- I question the staff's set point  
9 when they got started and they said 3,000, 3,000  
10 gallons. If it's 3,000 gallons, 5,000 gallons, it  
11 doesn't matter to me one way or the other. If  
12 Commissioner Balbis wants to make that motion, I'll be  
13 fine with that.

14           I think it's kind of a swag guess, and the  
15 great thing is it stays dynamic. So if we find out in  
16 six months or 12 months that we were too conservative,  
17 we can always switch that. But I'm fine either way.

18           **CHAIRMAN BRISÉ:** Okay. I don't want to leave  
19 you out, Commissioner Brown.

20           **COMMISSIONER BROWN:** Thank you. I was going  
21 to agree with what Commissioner Graham just said. And  
22 actually it was along the same lines -- Commissioner  
23 Balbis' discussion was along the same lines that I had  
24 with our staff during my briefing.

25           Mr. Chairman, do you mind if I ask the company

1 a question?

2 **CHAIRMAN BRISÉ:** Sure. Go right ahead.

3 **COMMISSIONER BROWN:** Mr. Friedman, I  
4 understand that customers get notices when they're  
5 overconsuming; isn't that correct?

6 **MR. FRIEDMAN:** That's my understanding. Yes.

7 **COMMISSIONER BROWN:** What is considered  
8 overusing? I know that the meters were installed back  
9 in 2001 for purposes of, I guess, not -- identifying and  
10 showing them the overconsumption. But what is  
11 technically considered overconsuming for these lots?

12 **MR. FRIEDMAN:** Commissioner Brown, frankly I  
13 don't recall what the threshold they use in, in  
14 determining overconsumption in giving those notices. I  
15 apologize.

16 **COMMISSIONER BROWN:** Do you have any idea how  
17 long those overconsumption notices have been provided to  
18 the customers?

19 **MR. FRIEDMAN:** I can't tell you for sure.

20 **COMMISSIONER BROWN:** Okay. Thanks.

21 **CHAIRMAN BRISÉ:** Okay. Any further questions  
22 or comments?

23 Commissioner Edgar.

24 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.  
25 I -- just a couple of things. I recognize, as has been



1 pointed out, that one of the purposes for going in this  
2 direction for the consumers and the utility is that  
3 consumption has been relatively high in this area  
4 comparatively, and that it is in a part of the state  
5 that the water management district and others are  
6 needing to enforce conservation measures per the  
7 statutes and per the rules.

8 But I also recognize, and I think it's an  
9 important point, that as a protection to these consumers  
10 there is another statutorily required part of this  
11 process that deals with another state agency, and that  
12 prior to these rates going into effect, excuse me, that  
13 there will be a review and a requirement that the lot  
14 rental prices for those to whom it applies will be  
15 reduced and that will kind of help to balance out the  
16 process. And, again, I do believe it's a very important  
17 protection for the residents in this area.

18 As to the, the three-tier and the 3,000 versus  
19 5,000, I agree with Commissioner Graham, I think it's a  
20 little bit of a swag because there's no way to know  
21 until those lot prices are reset and until the rates go  
22 into effect what the impact will be on conservation and  
23 on usage. So, Commissioner Balbis, if you're interested  
24 in moving forward with a proposal on the 5,000, I can  
25 certainly support it.

1           **CHAIRMAN BRISÉ:** Commissioner Balbis.

2           **COMMISSIONER BALBIS:** Thank you. And I want  
3 to thank my fellow Commissioners. And I agree with the  
4 points you made. It is, it is, I guess swag is -- I  
5 guess we can say that. But --

6           **MS. BARRERA:** It's an engineering term.

7           **COMMISSIONER BALBIS:** It's an engineering  
8 term. Correct. But I do think it's something -- a  
9 starting point, 5,000 gallons is a starting point.

10           And, Commissioner Edgar, you brought up a very  
11 good point in that, that I believe the statute does  
12 require that if there is a change in services, that the  
13 lot rental fees must be reduced. And my question for  
14 Mr. Friedman, has the utility started that process with,  
15 I believe, DBPR?

16           **MR. FRIEDMAN:** No, they have not started that  
17 process yet. They are waiting for you to determine  
18 what -- to give them a certificate and determine what  
19 their rates should be, and then they've, they've hired a  
20 consultant that would apply the standards that DBPR  
21 requires and determine how much the lot rent should be  
22 reduced. And that's a process that once y'all make a  
23 decision, that information would be provided to the  
24 consultant. The consultant will make that decision.  
25 And obviously these rates that you set won't be, won't

1 go into effect until there's a simultaneous reduction in  
2 lot rent amount.

3 **COMMISSIONER BALBIS:** Do you anticipate that  
4 the reduction in lot rental will be, essentially match  
5 what the revenues associated with the utility service  
6 will be so there's not going to be a net change to the  
7 --

8 **MR. FRIEDMAN:** No. My experience has been  
9 you've got -- there are two different standards -- the  
10 DBPR standard. And I don't, I don't do that part of the  
11 work, but, you know, as representing utilities I get  
12 involved, you know, just kind of listening to what's  
13 going on. And there's just a different standard for  
14 reducing lot rent amount than there is -- that y'all use  
15 in determining how to establish rates. So it's not a  
16 dollar-for-dollar reduction. But I can't tell you --  
17 it's not a, it's not a percentage. You don't say, well,  
18 okay, it's going to be 60 or 50 or 40% either. They're  
19 just like you. You look at each situation  
20 independently, and DBPR does the same thing. And  
21 they've developed the criteria that they have, and they  
22 determine based upon that criteria how much the lot rent  
23 amount should be reduced. And there is built in due  
24 process by the customers under Chapter 723 as well.  
25 Because what happens is if they don't agree with the

1 reduction of lot rent amount, they've got a mandatory  
2 mediation process that they go through. And if they  
3 don't mediate and feel comfortable with that, they also  
4 have a judicial remedy if they, if they believe that the  
5 amount of lot rental reduction is not in accordance with  
6 DBPR standards.

7 **COMMISSIONER BALBIS:** Okay. Thank you.

8 **CHAIRMAN BRISÉ:** All right. Let's, let's deal  
9 with this one, and if we have a motion on this one, and  
10 then go back to dealing with the others as a block.  
11 Okay?

12 Sure, you're recognized.

13 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.

14 Then I move staff's recommendation on these  
15 issues, with exception to the rate structure, and to  
16 authorize staff to move forward with the 5,000 gallon  
17 nondiscretionary rate structure that they supplied to  
18 us.

19 **COMMISSIONER EDGAR:** Second.

20 **CHAIRMAN BRISÉ:** Okay. It's been moved and  
21 seconded. Any further discussion?

22 Okay. Commissioner Graham -- I mean  
23 Commissioner Brown. I'm sorry.

24 **COMMISSIONER BROWN:** No. Thank you. I  
25 support the motion.

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**CHAIRMAN BRISÉ:** All right. Perfect. All in  
favor, say aye.

(Vote taken.)

All right. Very good. Thank you.

(Agenda item concluded.)

\* \* \* \* \*

1 STATE OF FLORIDA )  
2 COUNTY OF LEON )

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18 DATED THIS 19th day of December,  
19 2013.

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