

**Shawna Senko**

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**From:** Amy Williams <awilliams@uswatercorp.net>  
**Sent:** Monday, January 27, 2014 5:34 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** Vickie Penick; Carl Smith  
**Subject:** Docket No. 130153-WS - LP Waterworks, Inc. SARC - RAI dated 1/16/13 (for1/16/14)  
**Attachments:** Doc. No. 130153-WS RAI dated 1-16-13.pdf

FPSC,

Please allow this submission on behalf of LP Waterworks, Inc. in regards to Docket No. 130153-WS.

Any questions or concerns please feel free to contact my office directly at (727) 848-8292 ext. 239

Thank You,

*Amy N. Williams*

**Enterprise Systems - Accounting Admin**

*U.S. Water Services Corporation*

*4939 Cross Bayou Blvd.*

*New Port Richey, FL 34652-3434*

P: (727) 848-8292 ext. 239

F: (727) 849-7809

# LP WATERWORKS, INC.

January 27, 2014

Office of Commission Clerk  
Ms. Ann Cole, Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 130153-WS – LP Waterworks, Inc.  
SARC – RAI dated 1/16/13 (for 1/16/14)**

Dear Honorable Clerk and PSC Staff:

Please find the following response to your request for additional information dated January 16, 2014: This letter will serve as a follow up to recent discussions concerning the O&M expenses as it relates to the SARC identified above. It is request by the owners of LP Waterworks, Inc. for the FPSC staff assigned to consider the following items in determining the O&M costs associated with this SARC.

1. We are not aware of the services the previous owner was providing identified as "management services". True Management cost could be representative of many considerations and activities. If the "Service Contractor" is being referred to in the context of "management" - The service contractor previously working on this system only performed minimal requirements as stipulated by FDEP's regulations. In addition, previous service contract required no preventive or prescriptive maintenance or other deliverables as defined in the USWSC agreement which the FPSC staff possesses. Current management of the utility is the responsibility of the Officers/Owners of LP Waterworks, Inc. Officer Salary considerations have been at set at \$12,000 per year – or \$1,000 per month.
2. The contractors solicited have declined to bid on this work due to their skill levels, depth of services, or would require additional sub-contractors which some have expressed that they deemed they would not be competitive.
3. While utility system management remains with the Officers of LP Waterworks, Inc., a service contract has established for a period of five (5) years with U.S. Water Services Corporation (USWSC) for a variety of services that are not typical to an average O&M contract. Some of the items inclusive and perhaps not typical to an average O&M contract, USWSC will provide:
  - a. Customer Service/Billing/Collection and various payment option services
  - b. Minor repairs under \$400.00 per incident
  - c. Ground maintenance
  - d. Accounting services for FPSC as well as for General Ledger activities
  - e. System Preventive maintenance – utilizing an actual (CMMS)
  - f. Preventive and prescriptive maintenance activities

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Mailing: 4939 Cross Bayou Boulevard, New Port Richey, FL 34652  
Tel: (866) 753-8292 Fax: (727) 848-7701

- g. Valve/hydrant testing according to rules and regulations
- h. Record keeping and FDEP, Water Management, and FPSC filings
- i. Permitting

I would refer the FPSC staff to Table 4 of the USWSC Contract – Cost Responsibilities of the USWSC/Owner Agreement. This table provides a summation of all the services being rendered. In addition this Table shows the responsibilities of the owners in this system.

4. a. (1) The agreement with USWSC puts in place certified utility operations and also a focus on preventive maintenance services. (2) Preventive maintenance is critical to controlling future costs. (3) Also the expertise that USWSC brings to the services allows analysis and forethought as to the proper operation of the facility – such as shows with typical reductions of previous power, chemical and sludge costs. (4) The addition of maintenance expense allowance borne by USWSC up to \$400, allows some control of what can be unpredictable small expenses that burden the smaller utility systems of this size. (5) Customer service billing and collections activity also provided under the contract with USWSC allows a benefit to both the utility owners, and the customers, as the services are not split between two entities thereby providing quick resolution and assumption of responsibility of any issues, without delay. (6) The system was secondary consideration to the previous owner as he also had a Recreational Vehicle business, as well the developer of the park which this system serves. There was no preventive or prescriptive maintenance in place.  
  
b. The USWSC contract allows the utility to contract for what exactly is needed in relation to the services required. FDEP Permitting requirements dictate the certified operations time, the contract with USWSC provides economy of scale as the Utility does not have to hire direct employees that perhaps would have to be treated as full time – thereby bringing the employer expense to the utility when modified certified operator time may be needed. USWSC has staff servicing other systems across the State for government entities and other private utility owners with a high level of expertise and a component of engineering support; this staff is available to service any emergency or special interventions that may be required at a moment's notice as directed by the Utility Owners. Also, it should be noted USWSC is the largest water and wastewater utility service company within the State of Florida, thereby providing resources – if needed, which the utility can and does greatly benefit from.
5. a. Benchmarks – Attachments related to Benchmarking study recently completed by independent consultant "WetCon" in relation to services provided compared to AWWA and utility services in the Southeast USA.  
  
b. Please see item 3 and 5.a above; In response to this request, the Owner's contacted three (3) contractors to provide pricing. Utilizing the same Agreement, contractors were asked to bid on the scope of the Agreement. Two of the contractors were local and one was a Statewide/Nationwide contracting company. All three chose not to bid. Reasons given were; not within the scope of their current services, could not provide all services, or not within their

business model and that the location was not conducive to being price competitive. All three responses are attached for your review.

6. a. Benchmarks - Attachments related to Benchmarking study recently completed by independent consultant "WetCon" in relation to services provided compared to AWWA and utility services in the Southeast USA.  
  
b. Please see item 3 and 6.a above; In response to this request, the Owner's contacted three (3) contractors to provide pricing. Utilizing the same Agreement, contractors were asked to bid on the scope of the Agreement. Two of the contractors were local and one was a Statewide/Nationwide contracting company. All three chose not to bid. Reasons given were; not within the scope of their current services, could not provide all services, or not within their business model and that the location was not conducive to being price competitive. All three responses are attached for your review.
7. LP Waterworks, Inc. Is owned by six (6) individuals that have extensive backgrounds in the water and wastewater industry. LP Waterworks is an independent corporation with no existing corporate parent or sibling business structure relationships.

Four (4) of the six (6) shareholders of LP Waterworks are also Corporate Officers of USWSC – also an independent corporation with no existing corporate parent or sibling business structure relationships. USWSC has been established since 2003 as a utility service company dedicated specifically to the water and wastewater industry.

Two (2) of the Four (4) Officers of USWSC are also previous owners of private utilities governed by FPSC; that ownership was held within the State beginning 2002 through 2009.

Respectfully Submitted,



Gary Deremer  
President

COMMISSIONERS:  
ART GRAHAM, CHAIRMAN  
LISA POLAK EDGAR  
RONALD A. BRISÉ  
EDUARDO E. BALBIS  
JULIE I. BROWN

STATE OF FLORIDA



OFFICE OF THE GENERAL COUNSEL  
S. CURTIS KISER  
GENERAL COUNSEL  
(850) 413-6199

## Public Service Commission

January 16, 2013

Gary Deremer  
LP Waterworks, Inc.  
5320 Captains Court  
New Port Richey, FL 34652

### STAFF'S FIRST DATA REQUEST

RE: Docket No. 130153-WS- Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.

Dear Mr. Deremer

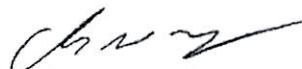
By this letter, the Commission staff requests that LP Waterworks, Inc, provide responses to the following data requests.

1. Management services fees paid by the prior owner were \$750 per week, or \$3,000 on a monthly basis. Did LP Waterworks (Utility) consider or pursue contractual arrangements with the management service company the prior owner used? Why or why not?
2. What actions did the Utility take in soliciting contracts for management services for water and wastewater operations?
3. The former management services company provided day-to-day management services to the LP Utilities, Inc. that included processing of accounts, billing and collections, meter reading, and coordination with government entities. Please identify any additional management services U.S. Water Services Corporation (U.S. Water) now performs for LP Waterworks in the operation of the water and wastewater utility to support the management fees U.S. Water now charges LP Waterworks.
4. Please answer the following questions in reference to the Agreement For Services contract LP Waterworks, Inc. signed on December 27, 2012 with U.S. Water.
  - a. Describe how the U.S. Water Agreement For Services contract benefits the Utility's customers.
  - b. From the Utility's perspective, describe the economies of scale, if any, that result from this contractual agreement.

5. Please refer to Page 23 of 41 of the Utility's contract with U.S. Water. Under Section 4.1, the contract states that the Utility pays US Water \$6,432.25 per month for Water Operations.
  - a. What comparative references ("benchmarks") did the Utility use in evaluating the appropriateness of the contracted amount it pays U.S. Water for Water Operations?
  - b. Why is this contracted amount justified and reasonable?
6. Please refer to Page 23 of 41 of the Utility's contract with US Water. Under Section 4.1, the contract states that the Utility pays U.S. Water \$4,891.37 per month for Wastewater Operations.
  - a. What comparative references ("benchmarks") did the Utility use in evaluating the appropriateness of the contracted amount it pays U.S. Water for Wastewater Operations?
  - b. Why is this contracted amount justified and reasonable?
7. Please describe the affiliate relationship, if any, between the Utility or its officers and US Water or any of US Water's officers.

Please file the original and five copies of the requested information by January 27, 2014, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850. Please feel free to call me at (850) 413-6191 if you have any questions.

Respectfully,

  
Charles W. Murphy  
Senior Attorney

CWM/dml

cc: Office of Commission Clerk





# Contract and Benchmarking Review Workshop

Florida Governmental Utility Authority Board

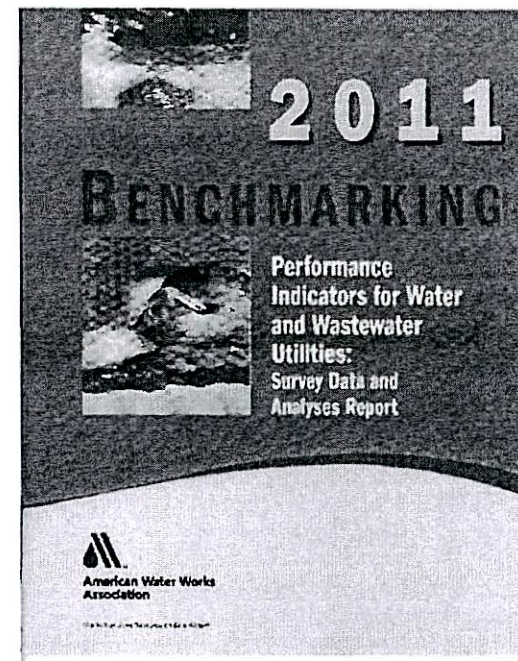
June 20, 2013





# Industry Benchmarking

- Utilized AWWA “Performance Indicators for Water and Wastewater Utilities: Survey Data and Analysis Report” (2011)
- Based on QualServe benchmarking approach (joint AWWA/WEF methodology)
- Evaluated 11 performance criteria
- Benchmarked against all US combined utilities in survey and those in southern US
- Survey data presents Top Quartile, Median and Bottom Quartile
- Evaluated FGUA South, West and Overall (no Aqua data)



# FGUA Benchmarking Results

Metric	Basis	South			FGUA		
		Top	Median	Bottom	South	West	Combined
Customer Service Cost	\$/account	36.43	41.16	52.38	50.58	38.51	44.55
O&M Cost	\$/account	246	301	379	213	225	219
	\$/MGals	1291	1521	1610	2365	2914	2633
Debt Ratio	%	22.2	41.0	53.1	65.4	99.4	78.8
Water Rates	\$/month	20.20	22.47	25.14	58.89	54.80	56.54
Sewer Rates	\$/month	21.26	27.73	29.51	71.38	68.18	69.91
No. Employees	Accts/employee	719	627	477	562	1004	783
	MGD/employee	0.40	0.32	0.22	0.15	0.19	0.17
Water loss rate	%	0.76	5.4	13.9	12.9	11.9	12.4
Sewer overflows	#/100 miles pipe	1.53	3.05	11.5	2.53	3.74	3.14
Customer complaints	#/1000 customers	1.35	3.09	12.6	4.27	22.1	14.0

Pugh Utilities Service, Inc.  
760 Henscratch Road  
Lake Placid, Fl 33852  
863-465-6911

January 24, 2014

In review of the scope of work that LP Waterworks, Inc. is seeking, Pugh Utilities is not prepared to bid on this work nor do we provide all services requested. Pugh Utilities thanks you for providing the opportunity to bid on this work but must decline at this time. Please do keep us in mind for future opportunities.

Thank You,

A handwritten signature in black ink, appearing to read "Danny Holmes". The signature is written in a cursive, flowing style.

Danny Holmes  
Pugh Utilities Service, Inc.

**Carl Smith**

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**From:** Ron Derossett  
**Sent:** Wednesday, January 22, 2014 6:34 PM  
**To:** Carl Smith  
**Subject:** FW: LP O&M contract

*Ron DeRosssett  
US Water Services Corporation  
4939 Cross Bayou Blvd.  
New Port Richey, FL 34652  
Office: (727)849-8292  
Cell: (904)540-9765  
fax: (727)849-5467*

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**From:** Short Utility [mailto:[shortutility@embarqmail.com](mailto:shortutility@embarqmail.com)]  
**Sent:** Wednesday, January 22, 2014 6:32 PM  
**To:** Ron Derossett  
**Subject:** LP O&M contract

Short Utility Service inc. at this time will not be able to submit price quotes for the LP O&M contract. The requirements are outside of our scope of work. If you have any further questions feel free to call me at any time.  
Thank you, Wendell.



January 21, 2013

Mr. Craig Bliss  
Business Development  
US Water Services Corporation  
4939 Cross Bayou Boulevard  
New Port Richey, FL 34652

Severn Trent Services  
4837 Swift Road, Suite 100  
Sarasota, FL 34231  
United States

T: +1 941 925 3088  
TF: +1 800 535 6832  
F: +1 941 924 7203

[www.severntrentservices.com](http://www.severntrentservices.com)

SUBJECT: LP Waterworks Operations and Maintenance

Dear Mr. Bliss:

I would like to thank you for the opportunity for Severn Trent Services to provide a proposal for the operations and maintenance of your LP Waterworks utility. Following our review of the draft contract and the scope of services, we have determined that the size of this project does not meet our business model. In addition, considering the location of the facility, it would not be cost effective for Severn Trent to pursue this opportunity.

Thank you for considering Severn Trent for this project.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard G. Gardner".

Richard G. Gardner  
Regional General Manager

