



August 25, 2016

Carlotta S. Stauffer, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 160065-WU; Application for an increase in water rates in Charlotte County by
Bocilla Utilities, Inc.
Our File No. 47016.04

Dear Ms. Stauffer:

Attached are the explanatory responses of Bocilla Utilities, Inc., to the Staff's First Data Request dated July 28, 2016 which were omitted from the earlier filing.

Should you or Staff have any questions regarding this filing, please do not hesitate to give me a call.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Martin S. Friedman', written in a cursive style.

MARTIN S. FRIEDMAN
For the Firm

MSF/
Enclosures

cc: Craig Noden (via email)
Ray Flischel (via email)
Margo Leathers, Esquire (via email)
Danielle Roth, Esquire (via email)
Adam Hill (via email)

STAFF'S FIRST DATA REQUEST

- 1) Bocilla Utilities ("BUI" or "Utility") has set up a virtual business office through use of a web page, customer portal and voice mail message explaining how a customer can pay their bill online, check their account balance, and see notices pertaining to the operation of BUI. In the past this has allowed the business office to be open only one day a week or a total of 403 hours during 2015. BUI has one (1) part time person that is office manager; software/webmaster; bookkeeper, and administrative assistant to the president and the licensed operator. During 2015 it was apparent that an additional day per week or 400 hours per year would be required to adequately process regulatory compliance; software/website maintenance; job accounting; meter reading input; monthly billing; ACH customers; customer complaints and overall response to 400 customers.
- 2) BUI at present does not utilize any monthly accounting services and is requesting that an amount of \$ 350 per month be authorized as the Utility does not have the accounting expertise to perform the necessary monthly accruals to arrive at reasonable monthly financial statements. This creates a burden on both the operating officer and the board of directors as solid financial information is not obtainable. Currently this is being done at the end of the year and is being performed for free by one of the board of directors, this is not a reasonable business practice and as such should be done monthly and be a paid function.
- 3) The Fire Marshall's office requires that the fire hydrants be exercised twice a year. The estimated cost is one (1) hour per hydrant times 62 fire hydrants = \$ 1,860.00 times twice yearly or \$ 3,720.
- 4) BUI's distribution system includes the 62 fire hydrants on Don Pedro-Palm Island, a barrier island, off the SW coast of Florida. Salt spray and salt laden moisture provide for a very corrosive environment. Painting the 62 fire hydrants provides for extended hydrant life, as opposed to replacement costs of \$2,500 to \$ 3,000 per hydrant. Sandblasting, paint and labor every two (2) years is estimated at \$ 75.00 per hydrant or \$ 4,620. BUI is proposing \$ 2,310 per year.
- 5) BUI has only one (1) vehicle, a 1995 Ford ¾ ton truck that is not public road worthy. Besides maintaining BUI's distribution & boost station a truck is required to pick up materials, supplies and the delivery of regulatory required lab samples on the mainland. Currently employees are driving their own vehicles with the only compensation being fuel, which is not equitable.

The following are estimates for the purchase of a new Ford truck, insurance, annual fuel & maintenance. Documentation attached.

Truck -	\$ 7,200/annual (\$ 600.00/monthly payment)
Insurance -	2,018/annual
Fuel/Maintenance-	2,500/annual (12,000 miles @ \$0.21/Mile)

- 6) The Utility used a ten year amortization period based upon advice of counsel as to how the Commission handled the amortization of the abandoned plant in the recent Utilities, Inc. of Sandalhaven case, since the circumstances are similar. However, for the calculation pursuant to the referenced Rule see attached Item 6.
- 7) Salaries and wages represent payroll checks written weekly, plus one sub-contractor. The months in question were all 5 week pay periods thus increasing the cost for that month as accruals are not made for salary at the end of each month. The additional labor for the subcontractor was due to higher maintenance costs in July and October, the additional cost in December was due to Christmas bonuses. It is important to note that all salaries and sub-contractor are supported by W-2's and one 1099. There were no salary increases during the year 2015.
- 8) Please see attached. The final electric bill on the water plant and the deposit on the boost station account for the increased expense.
- 9) Please see attached invoices. Since BUI does not have the accounting personnel to accrue things monthly, the Utility booked the expenses all in one month. Services per the invoices were performed all in 2015 in various months.
- 10) Accounting expenses in May and June 2015 represent preparation of the FPSC annual report and the 2015 Corporate Income Tax Return. Attached invoices # 12621 & # 12661.
- 11) Testing in August and October was for TTHM, HAA5, Total Coliform, Lead & Copper. See attached Sanders invoices # 048001, 048031 and 048498.
- 12) a. The rent for the office has been \$ 225.00/month for 2015. The July rent payment was missed and was paid in October of 2015. The rental rate has been increased to \$ 255.00 starting April 2016. See attached invoices.

b. The utility rents a 10' x 12' office in the Islander Properties Real Estate office that is located at 7025 Placida Road – Unit A – Englewood, FL 34224.

c. The Utility shares the electric cost with the real estate company. See attached Invoices which includes the rental charge and the shared electric charge.
- 13) The March expense was two (2) items: publishing the required DEP notice in the Sun Newspaper; and continuing education for the Utility's licensed operator. The August expense was for the Consumer Confidence Report and the FDEP Certification. See attached invoices.
- 14) Please see attached W2's and one 1099 (that was included in wages by mistake) for all employees for 2015.
- 15) a. The report referenced is Schedule B-7 which compares expenses to that of the year 2010. And officer salary has increased by 10.08 % since 2010, but this compares favorably to the

cost of living increase for the same period of 8.7%. Officer compensation is approved annually at the board of directors meeting.

b. The officer/owner's duties have increased after removing the water treatment plant from service. This was not anticipated but dealing with nitrification and bio-films generated from Chloramine treated water has presented many additional problems that require continuous flushing, exploring alternative treatment solutions with DEP and the FRWA. The certified operator's duties have changed from producing water to constant chemical checking, flushing, super chlorination, which has caused additional distribution maintenance performed by hourly employees.

- 16) Although the major emphasis on abandoning the plant were those of safety and soundness, it was also done with economics in mind. One of the major concerns was the ability to replace the three (3) supply wells and two (2) injections wells should they fail or be destroyed by an over-topping of the island in a major storm. The estimated cost to replace the two injection wells far exceeded the cost of the interconnect to Englewood Water District. The attached cash flow budget was done in 2014 to project the year 2015 with an interconnection to the Englewood Water District. This cash flow shows a minor loss and at that stage in 2014 the Utility was already discussing the possibility of a rate case as losses were already starting to mount. Based on the budget, cost of new injection wells, security of a water source, protection from hurricanes and flooding it was decided to go with the interconnection to Englewood Water District. See attached cash flow budget.
- 17) The attached invoices for Consultants were all for ongoing operations, there were no new operating permits. Thus, no amortization period is required.
- 18) James Elder, P.E. - 80 hours @ \$ 135.00 = \$ 10,800, Eileen Montanez, bookkeeper (not a salaried employee) 80 hours @ \$25.00 = \$ 2,000; mailing costs of \$ 1,860. See attached for legal rate case expense.
- 19) This is an error, there are no parent companies.
- 20) The high variation in unaccounted water is required flushing to maintain adequate residuals as required by FDEP. Please see attached engineers report on Chloramine Feed System. The negative values relate to 1 to 3 days' difference in meter reading/billing between EWD and BUI.
- 21) Please attached list of Pro Forma Projects, all of which will be completed in 2017, subject to PSC approval (only retirement will be meters):
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| i) Boost station rebuild (started and partially completed) | \$ 7,970 |
| ii) Loop dead end line | 10,060 |
| iii) 6" Valve replacement | 11,340 |
| iv) Chloramine Feed System | 10,114 |
| v) Annual cost of chemicals | 2,250 |
| vi) Annual meter replacement | 26,449 |
| vii) Control package for Boost station | 17,595 |