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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20210098-WU

Application for staff-assisted
rate case in Pasco County by
A Utility Inc.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 4

COMMISSIONERS
PARTICIPATING: CHAIRMAN ANDREW GILES FAY
COMMISSIONER ART GRAHAM
COMMISSIONER GARY F. CLARK
COMMISSIONER MIKE LA ROSA
COMMISSIONER GABRIELLA PASSIDOMO

DATE: Wednesday, February 8, 2023

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

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

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

2 CHAIRMAN FAY: All right. Commissioners, next
3 we will move to Item No. 4. Ms. Knoblauch is going
4 to present the summary on this item this morning.

5 Ms. Knoblauch, when you are ready.

6 MS. KNOBLAUCH: Thank you.

7 Good morning. Item No. 4 is staff's
8 recommendation addressing the application for a
9 staff-assisted rate case by A Utility Inc. A
10 Utility Inc. is a Class C utility providing water
11 service to approximately 118 customers in Pasco
12 County.

13 Staff is recommending an annual revenue
14 requirement increase of approximately 8,600, or
15 39.75 percent.

16 A customer meeting was held on December 1st,
17 2022, in which four customers participated, and two
18 customers filed comments in the docket. In
19 general, customers expressed objections or concerns
20 regarding the rate increase, and indicated
21 improvements were needed to the utility's
22 infrastructure.

23 Mr. Troy Fonder is attending by phone on
24 behalf of A Utility Inc. and wishes to address the
25 Commission. OPC is in attendance and is available

1 for questions. Staff is also available for any
2 questions at this time.

3 CHAIRMAN FAY: Okay. Thank you. Ms.
4 Knoblauch.

5 With that, Commissioners, we will go ahead and
6 take Mr. Fonder, who I believe is on the line this
7 morning.

8 Are you there, Mr. Fonder?

9 MR. FONDER: Yes.

10 CHAIRMAN FAY: Okay. Mr. Fonder, you -- just
11 real quick. Since we typically have a device in
12 the room here that kind of gives you a heads-up on
13 your time, so generally, the Commission allows
14 three to five minutes for public comment items. We
15 allow you five minutes this morning. We've got a
16 little timer here, so if you exceed that, I will
17 interrupt you and ask you to conclude, but we do
18 have the information that was included in the
19 docket, and so whenever you are ready, Mr. Fonder,
20 you can present your comments to the Commission.

21 MR. FONDER: Thank you. I appreciate
22 everyone, and the staff and the board.

23 I just want to make, I guess, a first comment.
24 I know that I need to get right to the point here
25 with just a few minutes.

1 Valuations that are put on the system are, you
2 know, very unrealistic. I understand that the
3 staff has to follow certain guidelines, but there
4 is three mobile home lots that were purchased, we
5 paid \$19,300, and they value them at \$1,000, which
6 was the original purchase in 1963, which is \$333 a
7 lot. So of course no one would sell us a lot for,
8 you know, \$300 these days. We also paid an
9 additional 97,700 for the entire system, you know,
10 and then the valuation that's on it now by the
11 staff is, like, 26,000.

12 On the other hand, the IRS doesn't care what
13 the Public Service Commission values it at. We
14 have to deal with what we actually paid for it. So
15 we have to, you know, record what we paid for it
16 and depreciate it based on that. And so I am
17 almost having to keep two sets of books. One on
18 the valuation to what you are recommending and the
19 valuation of what it was actually purchased.

20 I can't get a refund from the sellers. We
21 bought out all of the sellers because both of the
22 owners passed away. We had to buy out heirship
23 interest from all the family members. We formed A
24 Utility at that time to clean it up so that A
25 Utility wouldn't be mixed in with another business.

1 And then the economy now, you know, they are
2 asking me to do this NARUC thing. We did get a
3 quote of \$3,900. I feel that I can do that on my
4 own. I read up on it. It's just a matter of
5 appointing the account numbers to the -- to the
6 process.

7 The test year of 2020, the expenses were
8 18,000 approximately. The income was 20,000. They
9 showed a net income of, like, \$1,950. The problem
10 with that is that expenses did not include the fact
11 that we were unable to pay \$11,700 in mortgage
12 payments which are years behind, \$3,600 in wages
13 and \$1,400 in management fees for billing. So
14 that's an additional \$16,000 that did not show on
15 expenses that is due and past due at this point.

16 No one has been paid since we purchased this
17 in 2017. So everyone is working under faith that,
18 you know, we are going to eventually pull through
19 this.

20 Moving on to another item I guess. Our
21 customer service, as you can see in the staff
22 report, is excellent, and we have no complaints.
23 As a matter of fact, an inspector from DEP said our
24 system was so neat and clean that they would, you
25 know, consider us as, like, a model system.

1 They also are recommending a temporary
2 approval on this, which, you know, we agree we need
3 this ASAP just to survive. We have mortgages that
4 are in default -- or a mortgage that's in default.
5 They want us to bond, I guess, any payments that we
6 collect. We don't have the ability to do that, or
7 the money to do that, so we just wouldn't bill
8 until after the 21-day protest time is over to make
9 sure that we are not collecting funds that, you
10 know, we would have to return.

11 And I guess one remaining thing of food for
12 thought here is the pass-throughs were never done
13 by the past owners since 1989. So I used the
14 work -- we did the pass-through since 1989 through
15 2022. With doing that, our rates would have been
16 \$19.67. The staff's recommendation right now is
17 \$21.33. That gives us a raise of \$1.66. And since
18 1989, there was tank inspections, valve exercising,
19 samples that never used to -- all the new
20 regulations that have come into effect since 1989
21 are not included in our rates.

22 And just to finalize things. You know, I
23 respectfully request our rates be set at \$30.71. I
24 clearly docket a sheet on what our breakeven costs
25 are. You know, we offered to the mobile home park,

1 that would be the best result for everyone, you
2 know, in that park.

3 Our customers, I understand that they are --
4 (Inaudible) -- AND on fixed incomes. We don't want
5 to hurt in any way, but we have to pay the bills to
6 keep this alive, or otherwise, you know, everything
7 is going to default. THE power is going to get cut
8 off. The mortgage is going to -- (Inaudible) --

9 CHAIRMAN FAY: Okay. Mr. Fonder, I am --

10 MR. FONDER: I don't know what else --

11 CHAIRMAN FAY: I apologize, I am going to
12 interrupt you here -- yep, thank you. You have
13 exceeded your time, but I want to allow you to
14 close up there.

15 So with that, Commissioners, you have heard
16 Mr. Fonder's comments. We will allow questions or
17 comments to staff or to Mr. Fonder.

18 Yeah, Commissioner Clark, you are recognized.

19 COMMISSIONER CLARK: Thank you, Mr. Chairman.

20 I would like, if staff has had an opportunity
21 -- I know this came in as a late filing, the
22 information that Mr. Fonder has provided, but if
23 staff could go through and give us kind of a
24 rundown explanation on why these costs are
25 disallowed, or if they have been taken into

1 consideration, kind of give us an overview of this,
2 Mr. Chairman?

3 CHAIRMAN FAY: Sure. And, Commissioner Clark,
4 you are referring -- Mr. Fonder provided a document
5 in the docket with those numbers, is that --

6 COMMISSIONER CLARK: Yes. I believe it came
7 in yesterday, or the day before yesterday, so we
8 just got ahold of it this morning, so I am sorry.

9 CHAIRMAN FAY: So, Mr. Richards, can you
10 address -- you have that document with you? Okay.
11 You are recognized.

12 MR. RICHARDS: Good morning, Chairman and
13 Commissioners. Chris Richards with accounting
14 staff.

15 I would like to say the items on that list
16 numbers two through five are included in the -- in
17 the rates. The mortgage, which is the number one,
18 the reason why that's not included is Mr. Fonder
19 took a 117,000-dollar loan for this utility. The
20 utility -- the rate base on the utility is only
21 \$10,000. That's -- you know, that's the value that
22 the utility is at. That's all that we can give
23 them.

24 The \$11,700 a year payment that he is showing
25 on the document, that's only interest. He took

1 that loan out at a 10-percent interest rate. The
2 -- the customers, we cannot put that cost onto the
3 customers because none of that money was put into
4 the up-keeping of the plant or making plant
5 improvements. So that's why staff did not include
6 that \$11,700. But all other costs are included in
7 the current rates.

8 CHAIRMAN FAY: Any follow-up?

9 COMMISSIONER CLARK: Did they ask for an
10 acquisition adjustment during the purchase?

11 MR. RICHARDS: No, sir.

12 COMMISSIONER CLARK: I think we have discussed
13 retroactive acquisition adjustments not being a
14 good idea, so I won't go down that road.

15 From a staff perspective, do we see, and I see
16 Mr. Fonder's position. The system is obviously
17 unprofitable. It's going to get worse instead of
18 better. We are going to end up in a situation
19 where someone else is going to be taking this thing
20 over if this is not resolved.

21 So do you, as staff, see any solution? I
22 assume we applied the operating ratio, and is that
23 the methodology that we've used here? And so that
24 didn't get us in any better position to be able
25 to -- for him to fund this utility?

1 MR. RICHARDS: Well, sir, the operating ratio
2 put him in a -- which we did use it, it put him in
3 a much better position than had we not.

4 COMMISSIONER CLARK: Back to my final
5 question. Is there any hope here in order to be
6 able to make this system pay for itself outside of
7 the -- and I get to the acquisition adjustment
8 aside, there is -- there is no other way to get
9 this system to where it's operateable?

10 MR. RICHARDS: I don't want to necessarily
11 make that call, but I mean, a \$10,000 system was
12 purchased for \$117,000, and it was purchased
13 through family, so I am not really sure.

14 COMMISSIONER CLARK: Sure. But setting --
15 setting an acquisition adjustment -- setting the
16 mortgage issue aside, that was -- that's their call
17 to make what they paid for it, in my opinion. We
18 can take that out of the equation -- does the
19 system still have sustainability even without that?

20 MR. RICHARDS: Every one of his costs other
21 than that mortgage are included. He is recovering
22 every one of his costs.

23 COMMISSIONER CLARK: All taken care of.

24 MR. RICHARDS: And we actually reached out to
25 try to prompt him, hey, have you thought about this

1 cost that you may have? Have you thought about
2 this cost? We've done everything that we could to
3 try and make sure that his system is able to
4 continue on.

5 COMMISSIONER CLARK: Is there any equity? I
6 mean, I assume he is assigned an ROE, but he is
7 probably not getting it. There is no equity?

8 MR. RICHARDS: Correct, sir. It's 100 percent
9 debt.

10 COMMISSIONER CLARK: So there is nothing to
11 help cover the mortgage cost. But beyond that, you
12 would be looking at -- he's basically got an
13 \$11,700 deficit each year in terms of revenue minus
14 expenses?

15 MR. RICHARDS: With that mortgage, yes, sir.

16 COMMISSIONER CLARK: How does that number
17 equate to rates? I see his -- our staff
18 recommended rate of 21.51, his request for 30. Is
19 that -- and I haven't done the math -- is that the
20 difference between the mortgage -- is that the
21 difference of the mortgage payment?

22 MR. RICHARDS: I believe so. Yes, sir.
23 Looking at his breakout, it looks like that's what
24 it is. He included that 11,000.

25 You know, if you were to take out the 11,700

1 from his 21,871, it would match what he's getting.

2 COMMISSIONER CLARK: That's \$9 a month,
3 because 900 -- we are close to 100,000?

4 MR. RICHARDS: Yes, sir.

5 COMMISSIONER CLARK: Okay. Excuse me, close
6 to 10,000.

7 Okay. That's all I have, Mr. Chairman.

8 CHAIRMAN FAY: Any other?

9 Commissioner La Rosa, you are recognized.

10 COMMISSIONER LA ROSA: Thank you, Chairman.

11 I'm just going to kind of piggyback on that,
12 because there is another issue here that is
13 indicated on this paper that was handed out.

14 He also indicates six items really -- I guess
15 maybe five items in which are going to be problems
16 he is assuming down the road, a pump house that's
17 in bad condition needing replacement; there is no
18 backup power generators; an oil casing that may
19 fail soon.

20 Are there options for these down the road?
21 For example, is there a limited proceeding option
22 for him, if those items do fail and do become a
23 problem?

24 MS. KNOBLAUCH: So I spoke with him about
25 those, and they were not included in this docket.

1 He indicated that he might be filing for another
2 SARC. I don't know. He didn't provide, like, a
3 specific date, but in the future, and THAT those
4 items would likely be included. So, yeah, there is
5 definitely, like, down the road, I believe HE IS
6 planning on addressing those.

7 COMMISSIONER LA ROSA: Okay. Was it an --
8 thank you for that.

9 Was it analyzed to understand the life
10 expectancies of the items he is discussing?

11 MS. KNOBLAUCH: No, sir. He didn't provide
12 any, like, documentation or any costs or quotes, or
13 anything for those specific items. So we really --
14 this is all the information we have on those.

15 COMMISSIONER LA ROSA: Thank you.

16 COMMISSIONER CLARK: Follow-up on that?

17 CHAIRMAN FAY: Yeah.

18 COMMISSIONER CLARK: I would like to follow up
19 with Commissioner La Rosa's question.

20 So even if -- if he does have to make these
21 purchases, those are going to be -- most capital
22 expenditures, there is still not going to be funds
23 do that. He could include those in his revenue
24 requirement for the rate base for the next year, is
25 that correct?

1 MS. KNOBLAUCH: I believe so.

2 COMMISSIONER CLARK: It would not fund the
3 capital needs that he is going to have in looks
4 could be the very immediate future?

5 MS. KNOBLAUCH: Yeah. I believe it's down the
6 road that -- that he would be providing all of this
7 information. And again, we would have to look at
8 it to see if, you know, it's reasonable to include.

9 COMMISSIONER CLARK: Thank you.

10 CHAIRMAN FAY: Mr. Richards, anything to add?

11 MR. RICHARDS: No. I just kind of wanted to
12 go off of what Ms. Knoblauch was saying. Basically
13 he has to make the -- he has to make those
14 improvements and show us what -- that the
15 improvements were made, and the cost of those, and
16 then that would go into rates the next time that he
17 came in. So we can't, right now, grant him rates
18 for things that he may do in the future.

19 CHAIRMAN FAY: Great. Thank you.

20 Commissioners, any other comments or questions
21 for our staff at this time?

22 All right. With that, Commissioners, I will
23 take up a motion on Item No. 4.

24 COMMISSIONER GRAHAM: Move staff
25 recommendation.

1 CHAIRMAN FAY: Okay. We have a motion.

2 COMMISSIONER PASSIDOMO: Second.

3 CHAIRMAN FAY: A motion and a second to move
4 staff recommendation on Item 4.

5 All that approve say aye.

6 (Chorus of ayes.)

7 CHAIRMAN FAY: Hearing none opposed, with
8 that, Item 4 passes.

9 Thank you, Mr. Fonder, for your time today.

10 Commissioners, with that, that will conclude
11 our February 8th Agenda for today. We are
12 adjourned. Thank you.

13 (Agenda item concluded.)

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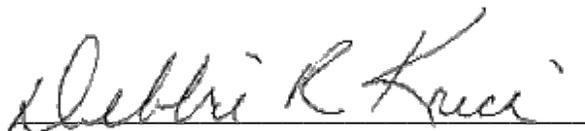
STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, 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 transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 20th day of February, 2023.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #HH31926
EXPIRES AUGUST 13, 2024