

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 120037-WS

APPLICATION FOR INCREASE IN
WATER AND WASTEWATER RATES IN
LAKE COUNTY BY UTILITIES, INC.
OF PENNBROOKE.

PROCEEDINGS: COMMISSION CONFERENCE
ITEM NO. 10

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

DATE: Monday, December 10, 2012

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

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

P R O C E E D I N G S

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3 **CHAIRMAN BRISÉ:** Moving on to the next item,
4 which would be Item Number 10.

5 **MS. BROWN:** Good morning, Commissioners. I'm
6 Monica Brown with Commission staff.

7 Item 10 addresses Utilities, Inc. of
8 Pennbrooke's request for a rate increase in water and
9 wastewater in Lake County. The utility, the Office of
10 Public Counsel, and one customer are in attendance.
11 Staff is prepared to answer any questions you may have.

12 **CHAIRMAN BRISÉ:** Commissioners?

13 Commissioner Brown.

14 **COMMISSIONER BROWN:** I'll kick it off on Issue
15 1. Staff, in your recommendation, you, you actually
16 recommend that Pennbrooke continue to engage the
17 customers to discuss potential options and associated
18 costs. To me that seems somewhat subjective, "engage
19 customers." What are you implying when you say that?

20 **MR. RIEGER:** Yes, Commissioner. Hi. Stan
21 Rieger, Commission staff.

22 Basically staff does recognize that there are
23 problems that the customers are seeing with the,
24 particularly the quality of the water in reference to
25 high iron content with the water, as well as pressure,

1 water pressure.

2 We know that the utility basically is in
3 compliance through the Department of Environmental
4 Protection, that the water quality, although iron has
5 been noted, is not considered a significant health
6 threat.

7 We know that the utility is also providing
8 some treatment to sequester the iron. With that, the
9 utility, the customers, however, is still seeing an
10 effect of the iron. We know that customers, a large
11 majority of them, have home treatment units, treatment
12 devices to help that. That comes at a cost to the
13 customers.

14 We know, we know that if the utility makes
15 additional improvements, there will be an additional
16 cost to that. There needs to be a dialogue set up with
17 the customers. The utility in certain respects have
18 been speaking to individual customers. It needs to be
19 more of a general thing. Let the customers know how
20 much the, any additional treatment might be incurred in
21 reference to what the customers will see in rates.

22 For the pressure, the customers can control
23 somewhat their own destiny. There is a high situation
24 of irrigation that the customers do. There is limited
25 time for this irrigation to occur. It's during those

1 times primarily that the customers see a drop in
2 pressure. The -- we would like to see the utility work
3 with the customers to modify the irrigation timing.

4 **COMMISSIONER BROWN:** Okay.

5 **MR. RIEGER:** So, yes.

6 **COMMISSIONER BROWN:** Well, I appreciate you
7 elaborating. I just think the -- and I understand this
8 is PAA, but when you say "engage customers," it's not
9 very specific.

10 **MR. RIEGER:** Yes.

11 **COMMISSIONER BROWN:** And if -- in the final
12 order it would, I mean, it would give me comfort to have
13 something more specific. I'm going to turn to the
14 utility though and ask them how they plan to -- if the
15 Commission does adopt this recommendation, Mr. Flynn or
16 Mr. Friedman, what you -- what would you -- what is
17 "engage customers"? What will you attempt to do?

18 **MR. FLYNN:** Patrick Flynn for the utility,
19 Utilities, Inc. of Pennbrooke.

20 My thought would be that we would be happy to,
21 to contact the homeowners association and request an
22 opportunity to have a discussion with them about the
23 issues that are specifically of concern, and lay out a
24 track or a methodology or schedule, some kind of means
25 to address their concerns in a way that's most

1 cost-effective.

2 **COMMISSIONER BROWN:** Okay. Thank you.

3 **MS. CHRISTENSEN:** Commissioner Brown, good
4 afternoon. Patty Christensen with the Office of Public
5 Counsel. With me today also is Mr. Auger, who is a
6 customer and also wanted to speak on the issue of
7 quality of service. And since we're addressing that, I
8 believe his comments would be relevant to this issue
9 because I think he would also like to speak to the issue
10 of what, from a customer's perspective, he would like to
11 see. And then I would like a brief opportunity to
12 comment after he provides his comments, if that would be
13 all right with the Commission.

14 **COMMISSIONER BROWN:** If -- I believe the
15 Chairman says that it's appropriate, so.

16 **CHAIRMAN BRISÉ:** Yes. You may proceed.

17 **MR. AUGER:** Thank you. My name is George
18 Auger. I'm a member of the board of directors of the
19 Pennbrooke Homeowners Association, and I presume that
20 you all have this handout that I prepared.

21 The gentleman from the Public Service
22 Commission staff mentioned that they're aware of the
23 issues that we've been raising. The difficulty for our
24 board and for our residents is that it's not obvious to
25 us that anyone has been listening. Okay?

1 There was a rate hearing back in '06 and there
2 was an order issued by the Public Service Commission,
3 and it's referenced here on this document, Order Number
4 PSC, and it goes on and so forth, dated January 31st,
5 2007, where it was found that the quality of service was
6 marginally satisfactory.

7 And then in the following rate case, which was
8 in '09, there was reference into that. There was
9 another order issued by the Public Service Commission
10 and a concern about water quality issues, and it said
11 that the utility was attempting to address these issues.

12 Now I dealt with that particular rate case.
13 I've dealt with the current rate case. I'm on the board
14 of directors. No one on the board of directors has ever
15 had any contact from the utility concerning our issues.

16 There's a letter that I find rather
17 interesting. On August 7th, it comes from Dana Rudolf,
18 I presume that she works for the attorneys, and it
19 references a response to the PSC staff concerning the
20 second data request. And it says, The utility had no
21 prior knowledge that any of these items were of concern
22 to the Pennbrooke customer base as there have been few,
23 if any, complaints received by this office.

24 I don't see how they can make that statement
25 when for the last five years we've been complaining.

1 We've had hearings in Pennbrooke; customers have spoken.
2 Customers have brought samples of their filters showing
3 how their filter systems, their filters get all clogged
4 up.

5 One gentleman at the last hearing in April --
6 in July of 2012 brought a test result. He sent his
7 water out to an independent lab to be tested and it
8 failed that test. And that sample, the report of that
9 sample was available at the hearing and was given to the
10 Public Service Commission staff. They don't make any
11 reference to that. I don't know what they did with
12 that. We feel like we're being ignored, and we feel
13 like you're being ignored because you've issued orders
14 and nothing happens.

15 **CHAIRMAN BRISÉ:** Thank you.

16 **MR. AUGER:** What I'm -- what we really would
17 like to ask is that you would issue another order
18 directing the utility to sit down with us -- they have
19 my name and number on this, I presume they have a copy
20 of the handout -- so that the board could see what kind
21 of options are available to us, what the cost of those
22 options is. We may decide to hire our own independent
23 expert. We'll decide that at the board; it's something
24 we want to discuss based on our conversation with them.
25 And then we would poll our community, just as we have in

1 the past.

2 I mean, you have -- I guess I should have made
3 reference to this earlier, but we conducted a survey
4 before this hearing in July of all our residents, and
5 52% of the residents have water treatment systems in
6 their homes, myself included, because the water wouldn't
7 be satisfactory to us otherwise.

8 So, you know, and then the survey goes on to
9 say how many people were not happy, and that's
10 summarized here in the data that you have in front of
11 you.

12 I'm sorry. I got little off track with the,
13 with the study.

14 What we're asking for is that they sit down
15 with us, that you issue an order to that effect. And
16 this time to put some teeth in the order, because it
17 appears to us that they have ignored your prior orders,
18 we would ask that you keep the docket open and that you
19 implement the rate increase that is being recommended
20 only after we actually have a sit-down with the utility
21 and we can report back to you that we've had those
22 meetings.

23 **CHAIRMAN BRISÉ:** All right. Thank you,
24 Mr. Auger.

25 Ms. Christensen.

1 **MS. CHRISTENSEN:** Thank you, Commissioner.

2 We, of course, support the customers' recommendation. I
3 think we would agree that there needs to be stronger
4 language, that it needs to be a directive from the
5 Commission that the utility sit down with the customer
6 base, explain what the different options are, what those
7 costs are, allow the customer base through the
8 homeowners association to poll its residents, and then
9 get back with the utility and then come to a decision of
10 whether or not they want to proceed with some treatment
11 or whether or not they've decided that the costs do not,
12 would outweigh the benefits that they perceive that they
13 could get.

14 We would also encourage that this docket
15 remain open. While the Commission has recommended or
16 the staff has recommended making a finding of
17 satisfactory, if the Commission chooses to maintain that
18 satisfactory finding, we would also ask that the order
19 note that there's these ongoing aesthetic issues with
20 water pressure and with iron content, and that the
21 utility has been ordered to have meaningful discussions
22 with the homeowners association, and to file a report
23 back with the Commission on the results of those
24 discussions and what treatment solutions that the
25 customers and the utility have come up with together.

1 And we realize there may not even -- you know,
2 if there comes a point where there's no mutual agreement
3 on the treatment, then I think we could cross that
4 bridge when we come to it. Maybe that would be filed in
5 a report and then we can determine what further steps,
6 if any, need to be taken.

7 But I think this is probably a problem where
8 the utility and the homeowners association working
9 cooperatively can resolve this issue, and resolve it
10 with the least cost to the customer base and make them
11 at least satisfied with the water that they're getting.

12 **CHAIRMAN BRISÉ:** Okay. Commissioner Brown.

13 **COMMISSIONER BROWN:** Thank you. Mr. Flynn or
14 Mr. Friedman, do you have concerns with putting that
15 specific language in the order? Because I do feel that
16 the recommendation is a little bit subjective regarding
17 engaging customers. And when I read it, I was a little
18 concerned that it wasn't specific enough.

19 **MR. FRIEDMAN:** That's the lawyer in you, and I
20 certainly understand that that is not a very subjective
21 standard to, to have.

22 But I would like to point out that, you know,
23 having a meeting is a two-way street. I mean, when they
24 complain that the utility didn't come to the HOA or the
25 customers and say, hey, let's have a meeting and talk

1 about this, you know, the other side of that is that the
2 customer, the HOA didn't come to the utility and say,
3 hey, we, you know, let's talk about some of these
4 issues.

5 Unfortunately, you know, it's usually only
6 when a utility files a rate case that these type of
7 issues come up. And that's what was raised in this
8 case, and had not been raised, as we pointed out, in our
9 response to, to the staff's data request. You know, the
10 company in the interim there doesn't receive a lot of
11 complaints about the water, aesthetic qualities of the
12 water. And that's all we're talking about is the
13 aesthetic quality. I shouldn't say all because
14 obviously that's important. But we're not talking about
15 health issues; we're talking about aesthetic issues.

16 And so, you know, the company didn't receive a
17 lot of those complaints in the intervening time period,
18 so how does it know that there's, you know, that there
19 are what some customers believe are, are aesthetic
20 issues with the water? And, of course, aesthetics is
21 also, you know, somewhat subjective in and of itself
22 because what I may find drinkable, somebody else may not
23 find drinkable. So that's a whole other --

24 **COMMISSIONER BROWN:** But getting to the
25 question though, can you get to the question?

1 **MR. FRIEDMAN:** No. No. I'm getting -- I'm
2 sorry. I'm getting there. I just wanted just to have
3 my say before I, before I delved in to, to answer your
4 question. And that is, you know, the company certainly
5 is always willing to meet. I do agree that there should
6 be some, some more specificity with what, if the
7 Commission expects that to be done, some more
8 specificity, but hopefully not so much specificity that
9 it doesn't allow the flexibility to resolve the problem.

10 **COMMISSIONER BROWN:** If I could have a
11 follow-up with staff.

12 **CHAIRMAN BRISÉ:** Sure.

13 **COMMISSIONER BROWN:** And then I'm done.
14 Do you have recommendations, if we want to
15 make it more specific, do you have a recommendation off
16 the top of your head?

17 **MR. RIEGER:** I believe that what OPC appeared
18 to be, the track that she was laying out appears to be
19 feasible as far as -- it's a matter of putting a time
20 frame on it, and we would be happy to review any
21 reporting mechanism that the Commission desires.

22 **COMMISSIONER BROWN:** What about keeping the
23 docket open?

24 **MR. RIEGER:** I'm not sure how much would be
25 gained as far as keeping the docket open. What would we

1 desire at the end of the reporting time, discussion
2 would have to be would we -- it would be another rate
3 case if additional costs that the utility would put into
4 it and it's not related.

5 This case, the way it's set up originally, had
6 no improvements discussed, and their current rate
7 structure is not related to any of the proposed
8 improvements that we've been talking about at this time.
9 So I don't see a benefit of keeping the rate case open.
10 But it'd have to be -- as far as what would happen the
11 next time the utility comes rolling in with a rate
12 increase, that might include a, the proposed
13 improvements at this time.

14 **COMMISSIONER BROWN:** Okay. I'm curious to
15 hear from my fellow Commissioners.

16 **CHAIRMAN BRISÉ:** Commissioner Balbis.

17 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
18 And I'm glad we're spending some time on Issue 1 because
19 I think we may have a situation that we've had in other
20 instances where it appears there might be a disconnect
21 between the customers and the utility.

22 And the main concerns that I have is that on
23 reading the information in the docket and the
24 recommendation, on the issues of water pressure, staff
25 indicated in their recommendation that the utility is,

1 has proposed or discussed a different irrigation
2 schedule rather than charting water pressures or doing
3 hydro tests, et cetera.

4 And my concern is that here you have multiple
5 complaints about water pressure, and the utility is not
6 actively, or at least in the information in the docket,
7 is not actively assessing whether or not there is a
8 water pressure issue or not. So that's a concern that I
9 have.

10 And if we move forward with recommending or
11 mandating that the utility meet with customers, I would
12 recommend that we also include assessing water pressure
13 issues so that a detailed plan can be put together.

14 I think changing irrigation schedules will
15 work. I know the Water Management Districts in other
16 areas have coordinated with utilities on different
17 irrigation schedules.

18 The other issue I have is the iron complaints.
19 You indicated that the utility does have additional
20 treatment. What treatment are they providing to deal
21 with the iron issues?

22 **MR. RIEGER:** Yes, Commissioners. The chemical
23 is call Aqua, Aqua Mag, I do believe, and it sequesters
24 the iron in the water. The unfortunate problem with
25 that is it's only good for so many hours, a couple of

1 days worth. After that the iron would start to drop out
2 of the suspension. And primarily that's what the
3 customers are seeing, the iron dropping out, showing up
4 on the fixtures. It -- for irrigation it, it shows on
5 the, you know, sidewalks and stuff like that and --

6 **COMMISSIONER BALBIS:** Well, maybe, maybe I
7 should ask this question to Mr. Flynn.

8 Have you looked at different
9 poly/orthophosphate blends to have additional
10 sequestration, I mean, or are you just sticking with the
11 one proprietary product? Have you addressed it in
12 detail, or what have you done to address the iron issue?

13 **MR. FLYNN:** Commissioner, we've, we use
14 Aquadene. It's a different chemical than what was
15 originally utilized when we purchased this system. We
16 have utilized the technical information, technical
17 support from various vendors to identify what blend of
18 poly-phosphate might be a better, better chemical to use
19 to sequester in a more effective way. But iron by
20 itself is just a very tough element to sequester for
21 long time periods in our water.

22 So the remedy may be to identify through,
23 through some engineering support what types of treatment
24 beyond sequestration might be successful in a different
25 way.

1 And if we were to support, if we were to
2 investigate with additional engineering support, I would
3 hope that the Commission would allow for that to be
4 recovered in some fashion in a future rate case
5 independently of whatever report, recommendations are
6 generated.

7 **COMMISSIONER BALBIS:** Have you assessed the
8 water pressures throughout the system at different times
9 of the day, or are you just in agreement that there are
10 low pressure issues and therefore you're moving forward
11 with the irrigation schedule change?

12 **MR. FLYNN:** We, we have charted water pressure
13 in various locations at different times, and the
14 correlation is evident between low pressure, pressure
15 drops occurring more severely on irrigation evenings.
16 So that's what has led to the discussion that's
17 contained in the report, in the staff rec, that an
18 effort to re-establish or re-- to distribute the demand
19 across more of the week would allow for the water system
20 to be adequately supplying water at adequate pressure in
21 a more universal way.

22 And it seems to be there's more pressure drop
23 issues in portions of the system than others as a
24 function, I guess, of the elevation of the, of the
25 homes. Not that it's a large drop or a large change in

1 elevation, but there is some topo change across the
2 system that has some measurable impact on water
3 pressure.

4 **COMMISSIONER BALBIS:** Must be a hilly part of
5 Florida I'm not aware of, but --

6 **MR. FLYNN:** It's, it's got, it's got the Lake
7 County ridge right down the middle.

8 **COMMISSIONER BALBIS:** Okay. You know, again,
9 I think this is -- I agree with Commissioner Brown. I
10 believe that just suggesting or requesting that they
11 meet with the homeowner association or the customers is
12 not enough. I think we need to mandate it. I think
13 that we may have the same issue with disconnect. I'm
14 concerned that, you know, it's indicated in the
15 recommendation that the utility wasn't aware of these
16 problems, wasn't aware of these issues, that although I
17 doubt those pressure situations have just started, but
18 we still haven't implemented an irrigation change. It's
19 something that I'm sure with education the customers,
20 you would get that support and it'd be effective.

21 I mean, on top of the water quality issues, my
22 main concern is that there doesn't appear to be a very
23 proactive approach to addressing customer satisfaction,
24 and I think in the subsequent order that comes out of
25 this to mandate it would, would allow that.

1 And I believe an additional incentive, if you
2 will, would be to determine that their quality of
3 service is marginal. At this point, you know, I don't
4 think it's at a penalty situation, but I believe a
5 marginal determination for quality of service is
6 supported in this. I'd like to hear from my fellow
7 Commissioners on it. And possibly with the customer
8 meetings and having the customers decide are these the
9 capital costs associated with the aesthetic water
10 quality issues, is it acceptable, and with their support
11 it makes it a lot easier to, to implement it. So I'd
12 like to hear from other Commissioners on this.

13 **CHAIRMAN BRISÉ:** Commissioner Graham.

14 **COMMISSIONER GRAHAM:** Thank you, Mr. Chairman.

15 Staff, it seems to me that we've been down
16 this path before. Didn't we like within the last few
17 years have a customer that we've had this sort of thing
18 where we had the utility sit down and have a meeting
19 with the residents? I think it may have even been a, a
20 Utilities, Inc. customer. Which one was it?

21 **MR. FLETCHER:** Commissioner, I believe that
22 was with Cypress Lakes, the sister company of
23 Pennbrooke.

24 **COMMISSIONER GRAHAM:** And if I remember
25 correctly, we are -- because there's several things that

1 they said that they didn't like and, you know, it's all
2 within the DEP standard or drinking water standard. But
3 there were things that they didn't like and we, I think
4 we actually put down a time frame, either four to six
5 months, for them to sit down and meet with the customers
6 and basically gave them like a shopping list. You know,
7 if your issue was iron, we have to do this, this, and
8 this to the system, it's going to cost this much money.
9 If the issue is pressure, we've got to do this, this,
10 and this with the system and it's going to cost this
11 much money. And basically gave them the option of
12 saying, okay, well, how important is it to you? You
13 know, let's take a vote and we'll move forward. You
14 know, it's kind of like you tell us what you want and,
15 you know, and it goes forward that way. Is this making
16 any sense to -- this happened; correct?

17 **MR. FLETCHER:** That is correct, Commissioner.
18 It was in Cypress Lakes, and I believe there was --

19 **MR. RIEGER:** Labrador, I think.

20 **MR. FLETCHER:** And Labrador as well. But two
21 other Utilities, Inc. systems. And we can put a time
22 frame on it. I'm not sure what engineering would want,
23 whether it would be a study that needs to be done, just
24 a conceptual engineering study to bring forth the costs
25 of any treatment for the iron. Also for the pressure,

1 you know, doing some kind of study for the pressure
2 problems and localizing those areas where elevation,
3 where it impacts more. But that can be done and there
4 can be put a time frame on it.

5 **COMMISSIONER GRAHAM:** Now, the meetings in the
6 past when we did those, those were successful?

7 **MR. FLETCHER:** I would have to defer to
8 engineering. I'm not sure who the engineer was on that
9 case.

10 **MR. RIEGER:** On the, yes, on the Cypress Lakes
11 case they did meet, and I'm not, I'm not sure exactly
12 what resulted from that. Perhaps the utility can update
13 on that.

14 **MR. FLYNN:** Yeah. We did meet with our
15 Cypress Lakes customers. There was an HOA board group
16 that was put together that we met with and had good
17 discussion on the issues that were evident to them and
18 have had success in that process. The same is true with
19 our UIF system in Summertree in Pasco County; we also
20 had a similar opportunity to have a sit-down with a
21 small group and discuss methodology or approach that
22 would be more effective in improving water quality, and
23 that has been successful to some degree.

24 **COMMISSIONER GRAHAM:** Now you still have good
25 connection, good contact with Cypress; correct?

1 **MR. FLYNN:** Yes, sir.

2 **COMMISSIONER GRAHAM:** Well, not trying to
3 reinvent the wheel here, it seems like what we did back
4 then was successful, and it sounds like the thing that
5 we need to do here.

6 I don't know if I'm ready to downgrade the
7 quality to marginal. Staff found that it was
8 satisfactory, and I haven't seen anything, I haven't
9 heard anything different come since, since we've been
10 talking here about downgrading that.

11 But, Mr. Flynn, I guess we're talking about
12 time frames. How much time would you think that it
13 would take to get, to pull something like this together?
14 And I don't know if you'd have to have two meetings:
15 One to find out what their issues are, and the other one
16 to figure out how much it's going to cost to remedy
17 those.

18 **MR. FLYNN:** I would expect to have multiple
19 meetings to have a means to set up a game plan and to
20 have opportunity for adequate discussion to identify
21 what engineering support would be needed, excuse me, to
22 get information in front of the HOA members. I would
23 estimate six months, that general term.

24 **COMMISSIONER GRAHAM:** All right. That sounds
25 fair to me. And I notice in the staff recommendation,

1 Issue 21 where it asks if this docket should be closed,
2 it said that, you know, it'll allow for these things to
3 acquire and then staff would do it administratively. I
4 think we should still stick with that; just make sure
5 that this meeting is part of what has to happen and then
6 staff can, themselves can close this administratively
7 afterwards. And I guess that can be a motion.

8 **CHAIRMAN BRISÉ:** Commissioner Brown.

9 **COMMISSIONER BROWN:** I like the motion and I
10 will second it. And I wanted to make a comment though
11 about the marginal recommendation or --

12 **CHAIRMAN BRISÉ:** Just, just for posture, we're
13 not there yet.

14 **COMMISSIONER BROWN:** Did he make a motion?

15 **CHAIRMAN BRISÉ:** I think he alluded to --

16 **COMMISSIONER GRAHAM:** I withdraw the motion.

17 **CHAIRMAN BRISÉ:** He alluded to the idea that
18 that could be a motion, but --

19 **COMMISSIONER BROWN:** I like it.

20 **CHAIRMAN BRISÉ:** Okay.

21 **COMMISSIONER BROWN:** I like it. But I wanted
22 to address Commissioner Balbis's, he wanted to get
23 feedback from us regarding marginal quality of service.
24 I don't think, based on what we have here, that it rises
25 to the level of a downgrade to marginal as well.

1 I think there is some concern there regarding
2 the utility's attempt to address customer satisfaction,
3 but they're in compliance with DEP standards, water
4 management. So I like your motion.

5 **CHAIRMAN BRISÉ:** Commissioner Balbis.

6 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
7 And I would tend to support the motion. But just to
8 give a little background again as to why I felt that a
9 finding of marginal quality of service would be
10 appropriate without a penalty is that -- and I think it
11 was further evidenced by the utility's response with
12 what happened at Cypress Lakes. They have yet to have
13 these meetings, they have yet to meet with the customers
14 to determine what improvements are needed, what the
15 costs would be, and yet for another system they've used
16 that process successfully. And it was -- it sounds like
17 they're just waiting for us to force them to do it. So,
18 again, it goes to that disconnect on their attempt to
19 address customer satisfaction.

20 They've known -- they've had a way to resolve
21 it with another system, they haven't done it yet, and
22 that's really where my concern was. I think with other
23 utilities it was clearer to move down to marginal. I
24 would support the motion, but that's the thought process
25 I went through in recommending. I would support a

1 finding of marginal, but, you know, I think we've been
2 very clear to the utility as to what we expect and we
3 could consummate that in an order.

4 **MS. CHRISTENSEN:** Commissioners, can I ask a
5 clarifying question?

6 **CHAIRMAN BRISÉ:** Sure.

7 **MS. CHRISTENSEN:** Commissioner Graham had
8 mentioned that this would be closed administratively in
9 a six-month time frame. Is that closed administratively
10 at the close of the six-month time frame or close it now
11 and have the report followed up afterwards? I just
12 would like to be able to, if the customer base calls me
13 and asks me where we are in the status of it -- I just
14 for myself was not clear whether or not it would remain
15 open for the six months; and then if the report is filed
16 and everybody is happy, then it would be
17 administratively closed; or if something else was being
18 contemplated, because I'm not familiar with Cypress
19 Lakes.

20 **CHAIRMAN BRISÉ:** Commissioner Graham.

21 **COMMISSIONER GRAHAM:** Yes. My proposed motion
22 would be for it to stay open until after the six months,
23 until after they had the meeting, until after staff had
24 some feedback on the outcome of that meeting.

25 **MS. CHRISTENSEN:** Thank you.

1 **CHAIRMAN BRISÉ:** Okay. Commissioner Edgar.

2 **COMMISSIONER EDGAR:** I would -- thank you, Mr.
3 Chairman -- would just like our legal staff to comment
4 procedurally how, how that would work and if there would
5 be any concerns as far as the statutory timelines. And,
6 you know, leaving a PAA open for that period of time is,
7 is certainly not the norm, and I'm, I have this feeling
8 that there may be some, some concerns that would, would
9 come from that. But I would like our legal staff to
10 address that.

11 **MS. HELTON:** I may be missing something here,
12 but my understanding was that we were going to enter --
13 or you would enter the proposed agency action order so
14 if there is not a request for hearing, it would become
15 final by operation of law. So I think as long as we can
16 go down a track where we ultimately will get a final
17 order, I don't have any concerns about keeping the
18 docket open for a short time period to use that as a
19 vehicle to address these concerns for, for the customers
20 and for the company to work together.

21 And then once that point has been reached
22 where there is a mutual consensus hopefully of everyone
23 understanding what the next steps will be with regards
24 to making the service better, then with the mutual
25 agreement from the company and from the customers, then,

1 and a discussion with the staff, I think staff, that is
2 enough information for the staff to be able to close the
3 docket administratively. Is that what you are --

4 **COMMISSIONER EDGAR:** I am all for mutual
5 consensus, but I am now completely confused, even more
6 so than I was earlier.

7 I think we're all trying to get to the same
8 place. My understanding of, of what has been discussed
9 I am also supportive of. But before we go to -- if I
10 may, Mr. Chairman -- before we go to a vote, I would
11 like to be clearer on what, what the process would be
12 and what I thought I was hearing. So let me speak, if I
13 may, speak this back to you, and then you can tell me
14 where I have misunderstood or need to clarify.

15 I believe what Commissioner Graham and my
16 other colleagues have, have suggested is that for
17 Issue 1 regarding quality of service, that the staff
18 recommendation of satisfactory would remain the same but
19 that we would have some more specific language directing
20 the company to work with the homeowners association,
21 and, of course, with our staff and whatever would be the
22 appropriate role that OPC would like to participate in
23 that.

24 Then for the last item, the close the docket,
25 is it 21?

1 **CHAIRMAN BRISÉ:** 21, yes.

2 **COMMISSIONER EDGAR:** Thank you. That would
3 remain the same, but that we could add some language
4 asking or directing, requiring that the utility file a
5 report with the staff in a six-month time frame
6 detailing the steps they have taken and what options, if
7 any, have been communicated with the homeowners
8 association.

9 That was kind of my understanding or how I see
10 it possibly being able to work out. For a PAA with the
11 statutory and rule timelines, leaving it open for
12 another or a longer period of time is, is the piece that
13 I'm not understanding.

14 **MS. HELTON:** Well, I guess in my mind if there
15 is ultimately a final order that is issued by the
16 Commission, having a docket -- that step is done.
17 That's what has to be done within the statutory time
18 frame. In my mind, keeping the docket open is almost
19 ancillary and it's giving a process to the customers and
20 the company and to whatever role staff and OPC engages
21 as well to, to work out these additional issues raised
22 for customer service.

23 You've already, you've created a track for
24 there to be a final order that will, will be issued.
25 Either the PAA by operation of law will become final, or

1 there will be a hearing requested and we'll go through
2 the hearing process.

3 **COMMISSIONER EDGAR:** Okay. So, so -- and that
4 may be the part that I was a little confused on. The
5 final order would issue according to the timelines but
6 the docket would remain open. And generally I think of
7 the final order issuing and then the docket closing
8 somewhat simultaneously, but they are not necessarily
9 one and the same action. Okay. All right. Any other
10 comment on that?

11 **MR. LAWSON:** No. I think we got it.

12 **COMMISSIONER EDGAR:** Okay. Thank you. And,
13 and I, I think I have it now too as well. So thank you
14 for letting me clarify on the process.

15 **CHAIRMAN BRISÉ:** All right. Commissioner
16 Graham.

17 **COMMISSIONER GRAHAM:** Thank you, Mr. Chairman.
18 I don't want to be a nervous Nellie here, but I guess
19 the question that pops into my head, if -- when, not if,
20 Utilities, Inc. has their meeting with the residents and
21 they come up with a game plan as far as to address their
22 issues and to fix the, the system, I guess there's no
23 chance for them coming forward -- I mean, I guess my, my
24 concern is if they come before us looking for some
25 recovery for those repairs, improvements, that we as the

1 PSC aren't going to find them imprudent because they did
2 something that we probably wouldn't have suggested them
3 doing, even though it was what the customer wanted.

4 Anybody?

5 (Laughter.)

6 **MR. FLYNN:** Commissioner, if I can speak. To
7 me, all I'm looking for is a means to recover with
8 confidence that extra effort necessary, if, in fact,
9 it's required to identify treatment options or
10 methodologies that would be advantageous to the customer
11 or not. But just to know that we have the means to, at
12 some future rate case, have a reasonable opportunity to
13 recover that effort, even if the opportunity to -- even
14 if there's no need for any capital investment, it's
15 operationally solved.

16 **MS. CHRISTENSEN:** And, Commissioner, I believe
17 that's one of the purposes we're hoping to have with the
18 meeting is that the customer base will be well aware of
19 what the costs are to create the water quality that
20 they're seeking. So if we come back -- you know,
21 they'll be well aware ahead of time of what the costs
22 would be incurred for that pro forma plant, if that were
23 to be necessary.

24 I know that at some point in the past they had
25 some filters that dealt with the iron. Well, if they

1 mutually agree that filtering is the best way to go
2 forward, a physical barrier, and they know the cost of
3 it, if they had to come back for recovery, I think
4 everybody would have vetted that issue before they were
5 to come back in.

6 And then hopefully that would be part of the
7 report. They'll either agree to a solution and then the
8 company would have to decide whether or not they needed
9 to come back in, because, of course, that's a function
10 of ROE and other items coming up and down. Or if they
11 disagree and the customers want something else or, or
12 the utility doesn't want to do that, then we may have to
13 seek to come before you for some other remedy to maybe
14 have more of that more fully vetted before the
15 Commission.

16 So, but I think, if I'm understanding what
17 happened with Cypress Lakes, I think the fact that they
18 had the meetings and discussed the options and discussed
19 the costs up-front resolved most of the contention down
20 the line, and that's what I'm hoping that this process
21 will do for this customer base as well.

22 **COMMISSIONER GRAHAM:** That's exactly what I
23 anticipated. I just wanted to make sure that
24 everybody's head was nodding and their full
25 understanding of, you know, what was going to happen so

1 in six months or a year from now somebody is saying
2 nobody told you to do that. Okay. Thank you.

3 **CHAIRMAN BRISÉ:** Mr. Hill, did you want to add
4 anything?

5 **MR. HILL:** No.

6 **CHAIRMAN BRISÉ:** Okay. All right. I think
7 we're ready to entertain a motion.

8 **COMMISSIONER GRAHAM:** It's been so long, I
9 forgot now.

10 (Laughter.)

11 Commissioner Edgar, you said it so eloquently
12 earlier, I'll allow you to do it.

13 **COMMISSIONER EDGAR:** Thank you, Commissioner.

14 Then I would move that on Issue 1 we adopt the
15 staff recommendation, with additional language to be
16 included in the order as we have discussed directing the
17 utility to meet with the homeowners association to
18 discuss potential treatment options and costs and any
19 other customer concerns, and that the utility provide a
20 report to our staff within six months as to the status
21 of those discussions.

22 **CHAIRMAN BRISÉ:** Okay.

23 **COMMISSIONER GRAHAM:** Second.

24 **CHAIRMAN BRISÉ:** It's been moved and seconded.
25 Any further discussion? All right. Seeing none, all in

1 favor, say aye.

2 (Vote taken.)

3 All right. Thank you very much.

4 Moving on to Item Number 12.

5 **COMMISSIONER BALBIS:** Whoa. Whoa.

6 **CHAIRMAN BRISÉ:** Oh, I'm sorry.

7 **COMMISSIONER EDGAR:** Not quite yet, Mr.

8 Chairman.

9 **CHAIRMAN BRISÉ:** Yeah. You're right. You're
10 right.

11 **COMMISSIONER EDGAR:** I'm the one who gets the
12 senior moments, sir.

13 **CHAIRMAN BRISÉ:** Right. Right. You're right.

14 **COMMISSIONER EDGAR:** We've got Issues
15 2 through --

16 **CHAIRMAN BRISÉ:** Through 21.

17 **COMMISSIONER EDGAR:** -- 21, and I wasn't sure
18 if the customer or the company would like to address any
19 of these more specifically.

20 **CHAIRMAN BRISÉ:** Indeed. Indeed.

21 **MS. CHRISTENSEN:** I would just briefly like to
22 speak on Issue 13; otherwise, Office of Public Counsel
23 supports staff's recommendation. And we do support
24 staff's recommendation on Issue 13, which is rate case
25 expense, and we would urge the Commission to approve

1 staff's recommended adjustments. This case raises a
2 couple of issues that OPC has had an ongoing concern
3 with.

4 First, the, what we've been calling pancaking
5 rate cases where we have rate cases closer together than
6 the four-year amortization period where the previous
7 rate case expense would have been amortized completely
8 and no longer be assessed to customers.

9 Two, it also raises the issue where rate case
10 expense is almost the same amount or slightly less than
11 what the final increase has been recommended by staff.
12 And so these are two concerns. And because we have
13 these concerns, and I think we're addressing those in
14 other forums, but because of those concerns we would
15 urge you to approve your staff's recommendation and to
16 disallow any of the in-house counsel costs, because that
17 would increase the rate case expense beyond what the
18 recommended increase for the other pro forma plants
19 would be otherwise.

20 So with that said, we agree with staff's
21 recommended adjustments. And the other issues, we also
22 support staff. Thank you.

23 **CHAIRMAN BRISÉ:** All right. Commissioners?

24 All right. Commissioner Balbis.

25 **COMMISSIONER BALBIS:** I have a quick question

1 for staff. On Issue 3, the Phoenix Project, there's
2 mention of a generic docket that was open. Could --
3 what is the status of that?

4 **MR. FLETCHER:** Yes, Commissioner. In that
5 docket, 120161-WS, it has, the investigatory period has
6 been extended by OPC and the utility through February of
7 next year. And that is just to flesh out the generic
8 issues that need to be addressed with Utilities, Inc. in
9 addition to the Phoenix Project. Like Ms. Christensen
10 mentioned, rate case expense, possibly a generic issue
11 there. So that process will not start until that
12 investigatory period ends, and it's going straight to
13 hearing. So once that ends, there will be an OEP issued
14 and be completed within eight months.

15 **COMMISSIONER BALBIS:** Okay. Thank you. And
16 then real quickly on Issue 10, salaries and wages. I
17 just want to confirm that we're being consistent and not
18 approving salary increases other than what the indices
19 indicate.

20 **MR. FLETCHER:** Yes, Commissioner, with the
21 exception of previously approved indexes that the
22 utility has applied for since their last rate
23 proceeding. And that is consistent with this
24 Commission's decision in Aqua.

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

1 That's all I had.

2 **CHAIRMAN BRISÉ:** All right. Commissioner
3 Graham.

4 **COMMISSIONER GRAHAM:** I move staff
5 recommendation on the remaining issues, which I believe
6 are Issues 2 through 20.

7 **MS. CHRISTENSEN:** Commissioner, can I ask for
8 a clarification? I'm sorry. Not on Issue 20, but 21 on
9 the close the docket issue.

10 **CHAIRMAN BRISÉ:** We're not there yet.

11 **MS. CHRISTENSEN:** Have we gone there yet -- or
12 not yet?

13 **CHAIRMAN BRISÉ:** 2 through 20.

14 **MS. CHRISTENSEN:** Okay.

15 **COMMISSIONER BALBIS:** I second.

16 **CHAIRMAN BRISÉ:** Moved and seconded? All
17 right. Any further discussion? All right. Seeing
18 none, all in favor, say aye.

19 (Vote taken.)

20 All right. Moving on to Issue 21.

21 **MS. CHRISTENSEN:** I was just clarifying
22 whether or not we were addressing the additional
23 language to remain open administratively for the report.
24 Okay.

25 **CHAIRMAN BRISÉ:** Okay. Thank you.

1 Commissioner Edgar.

2 **COMMISSIONER EDGAR:** Thank you. And then if I
3 may pose this to staff, for Issue 21, if we were to
4 simply remove the last sentence of the staff
5 recommendation and recognize the discussion we've had
6 about the order issuing according to the time frame but
7 the docket remaining open as a forum for further
8 discussion as we've described, would that be sufficient?

9 **MS. HELTON:** I'm assuming that you still would
10 want staff to close the docket administratively once
11 that report gets filed. So there needs to be, I think,
12 something in here directing staff that they can close
13 the docket administratively once the report is filed is
14 my recommendation.

15 **COMMISSIONER EDGAR:** Thank you.

16 **CHAIRMAN BRISÉ:** All right. Commissioner
17 Balbis.

18 **COMMISSIONER BALBIS:** Yeah. I just wanted to
19 have maybe a final question or comment for Commissioner
20 Brown. This, you know, this case I think addressed a
21 lot of the issues that I think drove the legislation
22 that was passed that formed the Water Study Commission,
23 and I assume that your study committee will be
24 addressing these issues appropriately. Because our
25 hands are tied on a lot of them, but --

1 **COMMISSIONER BROWN:** Thank you for that
2 question. Appreciate that. I just got back from
3 customer meetings on Wednesday, and actually Mr. Flynn
4 is on the committee, and we had a lively discussion at
5 the Eustis meeting after that closed, after the customer
6 portion closed. And we are talking about secondary
7 water quality standards. We have somebody from DEP who
8 is very knowledgeable on a lot of the issues on there.
9 And we have a lot more, a lot -- we decided that we are
10 going to have a lot more meetings to address some of
11 those concerns. And the Office of Public Counsel also
12 has raised a lot of issues that we will be looking at.
13 So, yes, we are addressing these issues.

14 **CHAIRMAN BRISÉ:** All right. Commissioner
15 Edgar.

16 **COMMISSIONER EDGAR:** Thank you. Then,
17 Mr. Chairman, if you're ready, I would move the staff
18 recommendation on Issue 21, with the revision that the
19 docket will remain open for approximately six months
20 after the order has issued, with the understanding that
21 the staff has the authority to close it administratively
22 after the report has been filed. And should there be
23 any problems or concerns, I would expect that the staff
24 would bring an item forward to us.

25 **CHAIRMAN BRISÉ:** Very good. Is there a

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second?

COMMISSIONER GRAHAM: Second.

CHAIRMAN BRISÉ: Okay. It's been moved and seconded. Any further discussion? Okay. Seeing none, all in favor, say aye.

(Vote taken.)

All right. Thank you very much

(Agenda item concluded.)

* * * * *


1 STATE OF FLORIDA)
2 : CERTIFICATE OF REPORTER
3 COUNTY OF LEON)

4 I, LINDA BOLES, RPR, CRR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

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

18 DATED THIS 13th day of December, 2012.

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25

LINDA BOLES, CRR, RPR
FPSC Official Commission Reporter
(850) 413-6734

During the hearing at Pennbrooke in April 2009 for the last rate case (Docket # 090392-WS), which was attended by representatives of Utilities Inc, many residents complained of water quality and pressure issues. Since many residents felt that their concerns had not been addressed at that time it was decided to conduct a water survey, for the July 2012 hearing at Pennbrooke. The results of the survey were presented to PSC staff at the hearing. Utilities Inc representatives were present at that hearing also.

On July 24, 2012 Denise Vandiver of the Office of Public Counsel sent a memo to the PSC which listed all of the OPC concerns with the current rate case. She specifically mentioned that Quality of Service "should be considered marginal".

On August 7th Dana Rudolf wrote a memo which referred to "Response to Staff's Second Data Request". The enclosed response from Friedman and Fumero llp, dated August 7, 2012, under item c) states "The utility had no prior knowledge that any of these items were of concern to the Pennbrooke customer base as there have been few if any complaints received by this office."

On November 14, 2012 Denise Vandiver sent a letter, on official Office of Public Counsel letterhead, to Ann Cole, Director, Office of Commission Clerk, where she referenced the Pennbrooke Homeowners' survey and reiterated that the quality of service should be considered marginal. Additionally she referred to:

Order No. PSC-07-0088-PAA-WS issued 1/31/2007 where it was found that the quality of service was marginally satisfactory, and:

Order No. PSC-10-0400-PAA-WS issued 6/18/2010 which also concerned water quality issues and "that the Utility was attempting to address these issues."

Since the PSC had issued two orders prior to the Pennbrooke residents' survey and the hearing at Pennbrooke in July 2012, how could the Utility's attorneys make the response in August that they had no prior knowledge that any of these items were of concern to us?

The PSC Staff recommendation concerning quality of service (Issue 1) states that "the overall quality of service . . . is satisfactory" . . . and that "staff recommends that Pennbrooke continue to engage the customers to discuss potential options and associated costs."

The residents of Pennbrooke take exception to the staff recommendation as we do not feel that the utility has ever engaged us in discussing our options. Where did the staff come up with that information? It certainly did not come from the residents of Pennbrooke. Pennbrooke Homeowners Association formally requests the PSC Commissioners to order that the Utility hold meetings with the residents of Pennbrooke to discuss our options and associated costs. Hopefully this order will not be ignored like the orders issued in 2007 and 2010.

George Auger
552 Grand Vista Trail
Leesburg, FL 34748
352-728-6075

Parties/Staff Handout
Internal Affairs/Agenda
on 12/10/12
Item No. 10
120037-WS

Eric Fryson

From: Vandiver, Denise [VANDIVER.DENISE@leg.state.fl.us]
Sent: Tuesday, July 24, 2012 2:41 PM
To: Filings@psc.state.fl.us
Cc: Andrew Maurey; Bart Fletcher; Ralph Jaeger; Martin Friedman Esquire (mfriedman@sfflaw.com); Patrick Flynn; Christensen, Patty
Subject: Docket No. 120037-WS; Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke
Attachments: Issues on Pennbrooke.docx

a. The full name, address, telephone number, and e-mail address of the person responsible for the electronic filing:

Denise N. Vandiver
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street
Room 812
Tallahassee, FL 32399-1400
(850) 487-8239
vandiver.denise@leg.state.fl.us

b. The docket number and title if filed in an existing docket:

Docket No. 120037-WS
Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke

c. The name of the party on whose behalf the document is filed:

Office of Public Counsel (OPC)

d. The total number of pages in each attached document:

12 pages

e. A brief but complete description of each attached document:

Cover letter with attached list of OPC issues and concerns.

Denise N. Vandiver
Office of Public Counsel
111 West Madison Street
Pepper Building, Room 812
Tallahassee, Florida 32399-1400
Phone: 850-487-8239
Email: vandiver.denise@leg.state.fl.us

 Please consider the environment before printing this e-mail

7/24/2012

DOCUMENT NUMBER DATE

04961 JUL 24 2012

FPSC-COMMISSION CLERK

I. Quality of Service

1. The testimony provided by the customers at the Customer Meeting held on July 18, 2012 indicates that the quality of service should be considered marginal. There were close to 200 customers in attendance and while only about 15 people testified, it was obvious that the customers that did not testify generally supported that the quality of the water was poor. The customers further submitted a summary of a survey that included 494 responses to 13 questions. Question #11 asks how satisfied the customers are with the quality of water in Pennbrooke and over 60% of the respondents were dissatisfied or very dissatisfied. Question #12 asked how the customers rate what they pay for water and sewer services and over 78% of the respondents rated the services as "expensive."
 - a. Customer testimony addressed issues such as poor water pressure, too much iron, too much chlorine, black sludge, and damaged appliances.
 - b. It is unreasonable that customers should pay as much as the Utility is requesting when so many customers cannot drink the water and must incur additional costs to buy bottled water and water softeners.

II. Rollover Adjustments with Potential Impacts on Rate Base and Depreciation

Prior Commission Adjustments and Depreciation Rates

2. It appears that many of the "Rollover Adjustments" included in Schedule A-3 of the MFRs are based on prior Commission Order adjustments that were not made before the beginning of the new test year. While there may (or may not) be errors in these adjustments, the prime reason for these adjustments are based on the fact that the utility has chosen to file a new rate case with a test year that does not begin after the prior rate case has been completed and the adjustments recorded. Our preliminary review of the requested increase appears to indicate that the main increases are rate case expense and allocated expense increases. We would propose that the Commission order the Utility to finalize its adjustments and to stay out until it can file a test year without these "rollover" adjustments or only file future MFRs on a fully projected test year that reflects these adjustments for a full year.
3. Table 3-A, attached to this document, is a list of the adjustments on Schedule A-3, Pages 3 and 4, that are described as "to zero out the account since it has no matching asset" or "to zero out the account since it has no matching CIAC". We are concerned with the utility's basis for making these adjustments. The Utility has not referenced a specific order that requires these adjustments, there is no reconciliation with any Commission ordered adjustments, and no specific information on why the Utility is moving amounts between accounts. We also have the following specific questions regarding these entries.
 - a. Except for the shaded lines, each of these accounts has a balance in the UPIS account, how does that reconcile with the statement?

Eric Fryson

From: Dana Rudolf [drudolf@sfflaw.com]
Sent: Tuesday, August 07, 2012 4:49 PM
To: Filings@psc.state.fl.us
Cc: Martin Friedman; NDWinans@uiwater.com; pcflynn@uiwater.com; Stan Rieger
Subject: Docket No. 120037-WS; Application of Utilities, Inc. of Pennbrooke for an Increase in Water and Wastewater Rates in Lake County, Florida.

Attachments: PSC Clerk 07 (Response to Staff's 2nd Data Request).ltr.pdf

- a) Martin S. Friedman, Esquire
Sundstrom, Friedman & Fumero, LLP
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746
Phone: (407) 830-6331
Fax: (407) 830-8522
mfriedman@sfflaw.com
- b) Docket No. 120037-WS
Application of Utilities, Inc. of Pennbrooke for an Increase in Water and Wastewater Rates in Lake County, Florida.
- c) Utilities, Inc. of Pennbrooke
- d) 4 pages
- e) Response to Staff's Second Data Request.

8/7/2012

05395 AUG-7 2012
FPSC-CORPORATE INQUIRY

August 7, 2012

VIA ELECTRONIC FILING

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

Re: Docket No.: 120037-WS; Application of Utilities, Inc. of Pennbrooke for an
Increase in Water and Wastewater Rates in Lake County, Florida
Our File No. 30057.205

Dear Ms. Cole:

Utilities, Inc. of Pennbrooke (the "Utility") submits the following responses to
Staff's Second Data Request dated July 24, 2012:

1. The majority of the comments received at the June 18, 2012 customer
meeting dealt with the customers' dissatisfaction over iron residue found in the water,
high amounts of chlorine, and low water pressure primarily within the area known as
"the Hill." Please respond to these concerns by explaining the following:

(a) what is causing these problems;

Response: The iron comments are likely due to a high residence time in
the distribution system that would permit sequestered iron to precipitate in the lines.
The chlorine comments are likely due the customer's proximity to the WTP or the
customer's sensitivity to chlorine. Low water pressure "on the Hill" is likely due to heavy
irrigation usage as was the general comment from the customers signaling their
awareness of the affects of irrigation on pressure on watering days.

(b) is the Utility meeting DEP standards regarding these problems;

Response: The Utility is in compliance with all rules and regulations
related to these comments.

(c) what is the Utility currently doing to control these problems;

05395 AUG-7 2012

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
August 7, 2012
Page 2

Response: The Utility had no prior knowledge that any of these items were of concern to the Pennbrooke customer base as there have been few if any complaints received by this office.

(d) can anything else be done to improve upon or eliminate these customer concerns;

Response: Practically any water quality issue can be resolved by means of implementing additional treatment techniques and technologies. The limitations are capital cost, permitting and the available footprint at the WTP. In lieu of additional treatment, the Utility could revise the flushing program to increase the frequency and duration at each designated flushing point, and implement an irrigation schedule that would break the system into quadrants or some other configuration to reduce the peak demand on watering days thus increasing the available pressure on irrigation days.

(e) has the Utility independently checked the pressure in the area known as "the Hill," and if so how often and what was the pressure? If not does the Utility intend to check the pressure at "the Hill" based on these customer complaints?

Response: The Utility was not aware of the pressure problems, therefore, there has been no tracking of pressures. The problem is associated with irrigation demand. It would likely be best to implement the revised schedule then chart some pressures at area hydrants. A few recording sessions could be performed before implementation then afterward to check for improvement. However, this concept can only work with the buy in from the customer base.

2. Describe any meetings that may have occurred with the customers in the past three years regarding plans to address their concerns related to iron residue found in the water, high amounts of chlorine, and low water pressure. In addition, discuss any meetings that are planned to address the customers concerns.

Response: No meetings have taken place with the customers as the Utility was not aware of any chronic issues. This of course does not preclude the Utility from doing so in the future.

3. Provide the documentation supporting the pro forma plant improvement for the replacement of Well #1. In its June 8, 2012 response to staff's first data request, the Utility indicated that a quote for the project is pending and will be provided within a

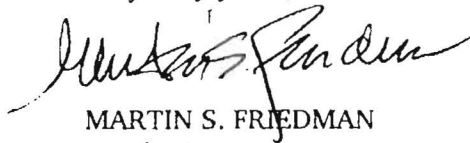
Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
August 7, 2012
Page 3

week. To date, the Commission has not received any updated information concerning this project.

Response: See attached.

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

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

MSF/der
Enclosures

cc: Nicole Winans, Regulatory Accountant (via email)
Patrick C. Flynn, Regional Director (via e-mail)
Stan Reiger (via e-mail)

Locke Well & Pump Co.

Sales and Service Since 1952


3685 Old Winter Garden Road
Orlando, FL 32805

PHONE (407) 299-8888
FAX (407) 578-1840
sales@lockewell.com

June 29, 2012

Utilities, Inc.

ATTN: Domenic / Bryan

: dvgentilucci@uiwater.com; bkgongre@uiwater.com

RE: Pembroke Well #1 Pump
750 GPM, 102' TDH, 1760 RPM, 25HP

Domenic / Bryan:

We are pleased to quote you the following for the above project as follows:

- (1) 10DHLO – 3 Stage W/L Goulds Bowl Assembly
- (1) 8" Male Cone Strainer
- (50') 8" x 1" Inner Column Assy. 416 S/S Shaft
- (1) 1" x 34" Headshaft Complete
- (1) Stuffing Box Repair

PARTS TOTAL \$6,450.00

Labor and crane to pull pump, change out 12" bowl for a 10" bowl and change inner column in a one-day service.

SERVICE \$4,350.00

TAX \$451.50

TOTAL FOR ABOVE \$11,251.50

Unless otherwise stated, the above pricing does not include Freight, Permits if required, Applicable Sales Tax, Environmental Fees, Fuel or Miscellaneous Surcharges.

NOTE: Our rates have not increased, however, Fuel Surcharges, Environmental Fees and Freight will be applied to all invoices in the future.

We appreciate the opportunity to quote you and look forward to working with you on this and any future projects. If you have any questions or need any other information, please contact me.

Regards,



Garry Lamp
Service Manager

MIKE HARIDOPOLOS
President of the Senate



J.R. Kelly
Public Counsel

**STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL**

c/o THE FLORIDA LEGISLATURE
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TALLAHASSEE, FLORIDA 32399-1400
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DEAN CANNON
*Speaker of the
House of Representatives*



Denise N. Vandiver, C.P.A.
Legislative Analyst
vandiver.denise@leg.state.fl.us

November 14, 2012

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

Re: Docket No. 120037-WS; Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke

Dear Ms. Cole:

Attached is a list of concerns that the Office of Public Counsel has with the quality of service provided by Utilities, Inc. of Pennbrooke. We are submitting this letter in an effort to be timely with our concerns and allow the staff and utility sufficient opportunity to review our concerns and ask for any

MIKE HARIDOPOLOS
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vandiver.denise@leg.state.fl.us

additional information that might be needed. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver
Denise N. Vandiver
Legislative Analyst

c: Division of Accounting & Finance (Maurey, Fletcher) Utilities, Inc. of Pennbrooke
Office of the General Counsel (Jaeger) Mr. Patrick C. Flynn

MIKE HARIDOPOLOS
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Sundstrom, Friedman & Fumero, LLP
Mr. Martin Friedman

Office of Public Counsel (Christensen)

Quality of Service

OPC believes that the quality of service should be considered marginal. The customers presented persuasive testimony at the customer meeting that the quality of service is not satisfactory for their household use. There were close to 200 customers in attendance at the Customer Meeting held on July 18, 2012. While only about 15 people testified, it was obvious that the customers that did testify generally supported that the quality of the water was poor and that many in the audience agreed but chose not to duplicate the testimony. Customer testimony addressed issues such as poor water pressure, too much iron, too much chlorine, black sludge, and damaged appliances.

- Customer survey:
 - 494 responses to 13 questions;
 - 98% replied that the water quality had not improved or was worse than the last rate case;
 - 30% of those complained of iron or rust in the water;
 - 42% complained that the water stained their fixtures, clothes and houses; and
 - 34% complained about the taste or smell of the water;
 - 78% responded that they had stains in their sinks, toilets, or tubs;
 - 60% of the respondents were dissatisfied or very dissatisfied with the quality of water; and
 - 78% rated the services as “expensive”.

- Customer Testimony that there is a problem regarding water pressure for certain customers in Section K or “on the Hill”.

- Order No. PSC-07-0088-PAA-WS, issued in Docket No. 060261-WS, on January 31, 2007, found that:
 - the quality of service was marginally satisfactory;
 - the customer satisfaction portion of the quality of service review had problems; and
 - the utility shall submit a report of its flushing program, including dates, locations, duration, gallons of water used in flushing the system, customers' complaints and utility responses concerning pressure.

- Order No. PSC-10-0400-PAA-WS, issued in Docket No. 090392-WS, on June 18, 2010, found that although customer satisfaction problems concerning pressure and water quality appear to have persisted since the last rate case, it appeared that the Utility was attempting to address these issues.

We urge that the Commission consider the quality of service as marginal as the customers continue to experience problems with the quality of the water provided and some customers continue to experience significant pressure problems. We further believe that the utility should be required to determine a method to more closely monitor customer satisfaction in a cost-effective manner.