

P R O C E E D I N G S

1
2 **CHAIRMAN BRISÉ:** Okay. Moving on to Item
3 Number 8. And I believe staff has an oral modification.
4 If you can go through that first, and then we will deal
5 with the rest.

6 **MR. RIEGER:** Yes, Commissioner. Staff has
7 requested an oral modification to this recommendation.
8 This oral modification includes corrections to rate case
9 expenses, identifies a violation reconnection fee, and
10 corrects a scrivener's error. All related parties have
11 been supplied with this information. If you wish,
12 Commissioners, staff is prepared to discuss these
13 changes.

14 **CHAIRMAN BRISÉ:** Okay. Thank you. All right.

15 **MR. FLETCHER:** Commissioner, Bart Fletcher
16 with Commission staff. The specific changes begin on,
17 the very first one begins on page 27 for Issue 12 in the
18 recommendation paragraph. It basically deletes the last
19 sentence in the recommendation paragraph on that page.

20 The next one would be page 29 in the staff
21 analysis. It deletes the last paragraph in the staff
22 analysis on that page.

23 Moving on to the third, it's on page 31, there
24 was a -- it's a scrivener's error basically. If you go
25 to page 31, it's the third paragraph, and it's the last

1 sentence. The number three sentence should be stricken,
2 and then four will become the three.

3 Moving on to page 35, it is the Table 15-1,
4 it's the revenue requirement also in the recommendation
5 paragraph, the increased revenue requirement and the
6 percentage changes for water and wastewater there, and
7 then the staff analysis as well.

8 And then at this time I'll turn it over to
9 Ms. Bruce to handle five.

10 **CHAIRMAN BRISÉ:** Sure.

11 **MS. BRUCE:** Good morning, Commissioners.
12 Sonica Bruce, Commission staff.

13 On page 36, Issue 16, the second sentence,
14 rate block factors of 1.20 and 1.50 have been stricken
15 and should be replaced with 1.25 and 1.75 respectively.

16 On page 37 of the staff analysis the first
17 paragraph is stricken. The second paragraph indicating
18 the revenues of 239,477 should be replaced -- has been
19 stricken and should be replaced with 254,382.

20 Moving along, the revenue requirement of
21 245,502 has been stricken and should be replaced with
22 260,407. In this same paragraph staff has added a
23 sentence at the end of the paragraph: "In addition,
24 staff found that the general service rates for the
25 larger meter sizes were calculated incorrectly in the

1 prior rate case; therefore, the existing rate structure
2 needed to be addressed."

3 Moving along, the third paragraph, the third
4 sentence beginning with "Since an overall rate decrease"
5 should be stricken through the second sentence beginning
6 with "This results in a 59.45% decrease -- 59.45%"
7 through the end of that sentence which ends in
8 "generated from the BFC" has been stricken.

9 Staff added a sentence after that, after that,
10 and it reads, "Staff recommends that the BFC application
11 be set at 57.5%.

12 And, again, the usage block rate factors in
13 the next sentence should be -- are stricken. 1.20, 1.20
14 and 1.50 has been stricken, I'm sorry, and should be
15 replaced with 1.25 and 1.75 respectively.

16 The next sentence beginning with "This rate
17 structure minimizes the rate increase at
18 nondiscretionary levels" was added. "Nondiscretionary
19 usage levels by customers using in excess of
20 6,000 gallons per month. Approximately 2.5% of the
21 bills will experience a higher increase." I guess I
22 should have said the stricken was -- the original
23 sentence read, "This rate structure results in a
24 reduction to bills at all consumption levels," that was
25 stricken, and we added "minimizes the rate increase at

1 nondiscretionary usage levels by customers using in
2 excess of 6,000 gallons per month. Approximately 2.5%
3 of the bills would experience a higher increase."

4 On page 38 are, are the rate, water rate
5 structures and alternatives beginning with recommended
6 rate structure and rates. Again, the blocks -- the rate
7 factors of 1.20 and 1.5 are stricken and should be
8 replaced by 1.25 and 1.75. The BFC allocation of 59.45
9 has been stricken and should be replaced by 57.5%. The
10 --

11 **CHAIRMAN BRISÉ:** Ms. Bruce?

12 **MS. BRUCE:** Yes.

13 **CHAIRMAN BRISÉ:** As for the numbers on the
14 chart, you could just recognize that the chart has been
15 adjusted.

16 **MS. BRUCE:** Okay. Okay.

17 **CHAIRMAN BRISÉ:** And for any one of the charts
18 you can just recognize that there's been adjustments on
19 the charts and you can move on.

20 **MS. BRUCE:** Okay. Okay. Okay. Well, moving
21 on, on page 41, the staff analysis, paragraph 1, the
22 rate factors again have been stricken, and again it
23 should be 1.25 and 1.75.

24 On page 42, Issue 17, recommendation
25 paragraph, staff added, "The utility's wastewater

1 violation reconnection fee should be \$27. The utility
2 should file revised tariff sheets and a proposed
3 customer notice to reflect the Commission-approved fee.
4 The approved fee should be effective for the violation
5 reconnections rendered on or after the stamped approval
6 date on the tariff sheet pursuant to Rule 25-30.475,
7 F.A.C.

8 "In addition, the approved fee should not be
9 implemented until staff has approved the proposed
10 customer notice and the notice has been received by the
11 customers. The utility should provide proof of the date
12 of notice given within ten days of the notice."

13 And the last change we have is on page 43,
14 Issue 17, staff analysis. And, again, this pretty much
15 is redundant of what I just read regarding a
16 \$27 violation reconnection fee.

17 **CHAIRMAN BRISÉ:** All right. Thank you very
18 much.

19 Commissioner Brown.

20 **COMMISSIONER BROWN:** Thank you. I have a
21 question about some of those changes. And there seemed
22 to be a lot, a multitude of changes here, and I want to
23 get to one particular section, to Table 16-1, which are
24 the water rate structures and rates.

25 **MS. BRUCE:** Yes.

1 **COMMISSIONER BROWN:** Can you kind of give
2 me some -- give us some information about why they
3 changed? I thought that the intent was to increase the
4 percentage of the BFC rate because of the highly
5 seasonal nature of the customers, the low average water
6 consumption, and the fact that there's high bad debt
7 expense. So I thought that was the intent of the whole
8 recommendation. And then with these modifications it
9 looks like the percentages, even on the recommended
10 amount, along with the alternatives have dropped from
11 what's currently in place. So I was looking for an
12 increase in the BFC to give the company some assurances
13 and some security there. Can you explain how -- what
14 happened here?

15 **MS. BRUCE:** Staff -- as far as rates, staff's
16 previously recommended rates was decreased by 1.05, so
17 of course those rates dropped.

18 However, on a going-forward basis once we
19 changed, made a change the rates went up. And, of
20 course, because the season -- I mean, the customer base
21 is seasonal, you're going to see a higher BFC with
22 staff's recommended rates.

23 Typically when a customer base is seasonal, we
24 typically go with a higher BFC allocation for revenue
25 stability while the customers are away.

1 **COMMISSIONER BROWN:** So the actual BFC amount,
2 the actual charges are higher, but the percentage is
3 lower than what's in place.

4 **MS. BRUCE:** Just -- yes, that's correct.
5 Typically when we set rates, when we set rates, we
6 typically minimize the rate increase within, within the
7 rate structure that I selected or that we've
8 recommended. That rate structure is, is minimized for
9 customers at nondiscretionary levels of consumption.

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

11 **CHAIRMAN BRISÉ:** All right. Thank you. Any
12 further questions on the oral modification that is
13 before us? Okay.

14 All right. So now we will get into the actual
15 item. Okay?

16 **MR. RIEGER:** Very good, Commissioners.

17 Good morning. My name is Stan Rieger with the
18 Commission staff.

19 Item 8 is staff's recommendation concerning Ni
20 Florida, LLC's application for increase in water rates
21 in Lee County and wastewater rates in Pasco County.

22 Ni Florida serves approximately 750 water
23 connections in Lee County and 2,600 wastewater
24 connections in Pasco County. Here to address the
25 Commission are representatives of Ni Florida and OPC.

1 Also from the service area in Lee County, Tamiami
2 Village, Barbara Oliveira is also here to address the
3 Commission.

4 How would you like to proceed, Commissioner?

5 **CHAIRMAN BRISÉ:** Okay. We'll just go ahead
6 and make sure that every -- all of the parties have
7 access to all of the modifications. It seemed liked
8 Mr. Reilly looked like he might not have had it.

9 **MR. REILLY:** We have about two or three
10 different versions of this. And I was having a hard
11 time following it, so I was looking to Patricia and --

12 **MS. MERCHANT:** If this was the information
13 that was e-mailed and put in the docket file, then we
14 have it.

15 **CHAIRMAN BRISÉ:** Okay.

16 **MS. MERCHANT:** I think the page numbers are
17 different. She has a different -- ours was in an
18 e-mail. Hers is probably in a Word version. So I
19 think -- if it's the same information --

20 **CHAIRMAN BRISÉ:** Oh, you probably have the
21 same thing that we do, and that's -- it's paginated,
22 paginated as a set here, and she was addressing the
23 actual page that they would fall in within the
24 recommendation.

25 **MS. MERCHANT:** Correct. But if that's the

1 information that was filed in the docket, then we have
2 that.

3 **CHAIRMAN BRISÉ:** Perfect. Thank you. I'm
4 just making sure that we're all on the same page.

5 **MR. McDONNELL:** Good morning, Chairman. Marty
6 McDonnell; I'm here on behalf of Ni Florida. We also
7 received an e-mail, which I believe encompasses all the
8 changes made orally today, so we are ready to proceed.

9 **CHAIRMAN BRISÉ:** All right. Perfect. So
10 we'll go ahead and start with Issue Number 1.

11 **MR. RIEGER:** Very good, Commissioner.

12 Issue Number 1 is the quality of service
13 issue. Staff recommends that the quality of service
14 provided by Ni Florida be considered satisfactory.

15 Also as a place note here, just to let you
16 know that Pasco County has intervened in this case.
17 There's discussion in this issue about what they are
18 interested in concerning the high chloride levels that
19 it receives to be treated from Ni Florida. There is a
20 contractual agreement for wastewater being treated.
21 Staff believes that this is a contractual situation.
22 And also a large portion of this rate case deals with
23 improvements addressing the chloride situation, and
24 there's been significant, I believe, discussion
25 concerning that. And that's the recommendation:

1 Satisfactory for that issue.

2 **CHAIRMAN BRISÉ:** Thank you. Commissioners,
3 any questions on Issue 1?

4 Commissioner Balbis.

5 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
6 Excuse me. I have a question for the utility
7 on the chloride issue. And according to staff and in
8 the recommendation that it is a contractual issue to
9 meet the 250 milligrams per liter, what is the utility
10 doing to address that? Have you performed an INI study?
11 Just can you give us an update as to where you are with
12 trying to meet that 250 milligrams per liter number?

13 **MR. McDONNELL:** Certainly. Sitting next to me
14 is Benny Wilkinson. Mr. Wilkinson is the Vice President
15 of Financial Due Diligence with the parent company of Ni
16 America. And also present today seated behind me is
17 Ed Wallace, who is the President and CEO of the parent
18 company Ni America; as well as Rick Melcher, who is the
19 Manager of Public Relations of Ni America.

20 I have secondhand information. There has been
21 a lot done to bring those chloride levels down, but I
22 don't know which representative would be best
23 prepared -- Mr. Melcher agrees to be the representative
24 to address your question, Commissioner Balbis.

25 **MR. MELCHER:** Good morning.

1 **CHAIRMAN BRISÉ:** Good morning.

2 **COMMISSIONER BALBIS:** Would you like me to ask
3 the question again?

4 **MR. MELCHER:** Yes, sir. Please.

5 **COMMISSIONER BALBIS:** Okay. What has the
6 utility done to address the chloride levels, and have
7 you performed an infiltration inflow study? And just
8 give us an update as to where you are on trying to meet
9 those contractual limits.

10 **MR. MELCHER:** Sure. To give some of the
11 original background of information, certainly what we
12 would initially do with a system is to video the
13 collection lines to see where the primary areas of INI
14 are allowing salt water. It's very close proximity to
15 the Gulf. There's a lot of canal lots in the area. So
16 having identified a number of major areas of concern --
17 it's certainly old pipe -- we've made significant
18 improvements in replacement to the collection system.

19 More recently, just last week we met with
20 Pasco County to undertake a, a very coordinated effort
21 for both identification of the numbers in the test
22 results of the chlorides working together with the
23 county to make sure we're on the same page as to those
24 test results and to present and coordinate our action
25 plan going forward.

1 Quarterly, if not more often, meetings will be
2 scheduled with the county to show them and obtain
3 agreement on the repairs that are being made to ensure
4 that the chlorides are kept or reach below the 250
5 minimum.

6 When we first obtained the system several
7 years ago, the numbers were extremely elevated. And we
8 have seen a positive impact of the repairs that we've
9 made. There is certainly more to do. It is an aged,
10 aging collection system, so ongoing repairs are being
11 made to those pipes.

12 **COMMISSIONER BALBIS:** Okay. And it kind of
13 probably crosses over into another issue but I think
14 it's good to add it now. Previously this Commission
15 allocated or allowed you to collect revenue for this
16 program, and yet you didn't spend what, what was given
17 to you. Why is that, and did you stop the process? I
18 mean, just kind of explain why you didn't spend what was
19 given to you and what's remaining in order to address
20 these issues.

21 **MR. MELCHER:** It has certainly been an ongoing
22 process. We, we also obtained information that as
23 repairs were being made, because it is an aging system,
24 repairs to a specific area or neighborhood might not be
25 a long-term fix and a complete repair as other sections

1 and areas of the pipe within a neighborhood could
2 continue to degrade.

3 So I think that the best summary for this
4 endeavor is that it's an ongoing process and we continue
5 to take the tests throughout the system to determine
6 where the primary areas of concern are and make repairs
7 to those pipes.

8 **COMMISSIONER BALBIS:** Okay.

9 **MR. MELCHER:** Ongoing.

10 **COMMISSIONER BALBIS:** And is there a
11 representative from Pasco County here?

12 **MR. REILLY:** It's my understanding that they
13 are not here.

14 **COMMISSIONER BALBIS:** Okay.

15 **MR. REILLY:** I think they were monitoring the
16 proceedings, but I don't know that they made any
17 arrangements to attend.

18 **COMMISSIONER BALBIS:** Okay. Okay. Thank you.
19 That's all I had.

20 **CHAIRMAN BRISÉ:** Okay. All right. Any
21 further questions on Issue 1?

22 Okay. I guess we're ready to entertain a
23 motion on Issue 1.

24 **MR. REILLY:** Chairman Brisé, there is a
25 customer who wanted to speak to quality of service, if

1 possible.

2 **CHAIRMAN BRISÉ:** Oh, sure.

3 **MR. REILLY:** She's traveled all the way from
4 North Fort Myers, Ms. Oliveira.

5 **CHAIRMAN BRISÉ:** Sure. Go right ahead. I'm
6 sorry.

7 **MS. OLIVEIRA:** Thank you all for giving me the
8 opportunity to speak. And I really want to first say
9 that I appreciate all the hard work that staff has done,
10 but there is one thing in their report that I have to
11 disagree with, and that is the quality of service that
12 the residents of Tamiami Village receive from Ni
13 Florida.

14 This is a pass-through type of situation where
15 Ni Florida buys the water from the county, passes
16 through to the 718 homes that are in the village and the
17 242 sites. The problem is, is that they have no service
18 in that area. They do have a part-time person that they
19 have mentioned in different types of correspondence.
20 John Palmer, he is a former employee of the Tamiami
21 Master Association, which oversees the village, and
22 there's a reason why he's former. And that could be
23 part of the problems why we encounter so much grief when
24 we do have a problem. He is slow to respond. He is
25 very negative in dealing with us. Right up until even a

1 week ago we have had problems. The boil water notices
2 aren't getting out like they should be. It is ongoing.

3 Myself -- if the residents have a problem,
4 they have a hard time getting into Ni Florida. Now
5 understanding that they are trying to work on that and
6 change that, but a lot of it comes to me. And a lot of
7 it is they come to me -- this is an older, 55 plus, but
8 right now probably the average people in my park are
9 75 and up. So this is all new to them. They're not all
10 computer literate. They have a hard time. Financially
11 they're, you know, they're on a very restricted and some
12 are on Social Security only, which is why I am here.
13 And it's hard for them. So then they get frustrated,
14 they call, and they have to speak with me.

15 Now I do want to say one thing: Mr. Melcher,
16 who is to my right, is my source and I send him an
17 e-mail. If I have problems, I can't get service -- I've
18 tried myself calling Ni and I get the runaround. "Oh,
19 I'll call you back." They don't call back. I've had
20 pipes that have broken. I have -- they -- you know, Ni
21 alluded to bad debt. If I have a house going into
22 foreclosure, I would notify their representative and
23 say, "Hey, check with your office and see. If they're
24 delinquent, you might want to shut them down right now."
25 This is -- I get no response from them. The one person

1 I can count on is Mr. Melcher. Okay? And that's a sad
2 state of affairs when you have, all of these customers
3 have to rely on the manager to try to solve a problem,
4 and yet I have no one to go to and I have to rely on
5 him. And he does step up to the plate.

6 Now in my correspondence on the 3rd I even
7 included copies of the e-mails back and forth between us
8 as to support my statements. So, again, the quality of
9 their service, which is something that I was afraid of
10 when they purchased the company, I was here a couple of
11 years ago before you, it was a problem then, it has not
12 improved. So I want to put that out there that the
13 quality of service that they get -- I mean, they buy the
14 water, they sell the water, they reap the rewards, but
15 there's no service in between. Thank you.

16 **CHAIRMAN BRISÉ:** Thank you.

17 Commissioners, any questions?

18 Commissioner Brown.

19 **COMMISSIONER BROWN:** Thank you. Thank you for
20 making the drive up here. And when I read the
21 recommendation and it showed that 36 customers appeared
22 at the customer meeting, that kind of surprised me,
23 Stan. And if you could follow up with some of the
24 concerns that she raised here at the meeting and that
25 were raised at the meeting.

1 **MR. RIEGER:** Sure. Well, the, the customer
2 meeting was, although it was well attended, it was,
3 considered during the time of offseason for these
4 customers, and I think Ms. Oliveira has pointed that
5 out, that that's a concern as well, that the customers
6 may not have, you know, properly -- or was available to
7 attend the customer meetings.

8 But some of the items that was brought up, the
9 boil water noticing, there had been issues concerning
10 that, and I think the utility can also address this as
11 well as we go along. The situations with the boil water
12 notices, being the age of the system and the quality of
13 the facilities, has occurred periodically. Our review
14 that we could tell is that the utility did -- or has
15 addressed these issues in as timely a manner as
16 personnel could allow to get them to that. Noticing is
17 a concern for the customers when some streets may be
18 required to have the boil water because that's where the
19 breakdown was in particular streets. Those streets have
20 been isolated, but there was concern that other streets
21 who were not affected by the boil water notices should
22 or should not have been contacted in one way or another.
23 I think that's mainly a communication situation, not
24 necessarily a health risk related situation if the
25 streets were properly addressed.

1 Also there was concern about access to
2 customer service with the utility. There's a changeover
3 where the customer service office for the utility is now
4 located out of state. That's another thing that the
5 utility --

6 **COMMISSIONER BROWN:** You mean the call center?

7 **MR. RIEGER:** The call center, yes. And there
8 was some transitional problems, and I think the utility
9 can address that as well.

10 **COMMISSIONER BROWN:** Mr. Chairman, if I may
11 ask the utility, give the utility an -- Mr. Melcher an
12 opportunity to respond to the customer's concerns here,
13 and also our staff's comments here.

14 **MR. MELCHER:** Certainly. Thank you very much,
15 Commissioner.

16 Let -- I'm going to point out the first
17 priority we had after the acquisition of Tamiami
18 Village. What we heard primarily from, from residents
19 when we went out and had a customer meeting initially
20 was that the lack of isolation valves in the system and
21 the numerous number of leaks that occurred regularly
22 caused the entire system to be shut down for a single
23 leak repair. So very quickly we undertook the program
24 to install isolation valves throughout the system, which
25 is completed now, and so that the occasional leak

1 repairs that are currently required necessitate only the
2 isolation of a particular street in the immediate area
3 of a leak. And I think I've read in the staff report
4 that, that that has certainly improved the quality of
5 service by not having to shut down the entire system for
6 leaks.

7 With respect to the call center, it is so
8 important to us, particularly in a system of less than a
9 thousand customers, to keep rates as low as possible.
10 So initially we have not had a full-time company
11 employee onsite to make an immediate response in an
12 effort to keep the rates down.

13 After the last public meeting prompted by
14 staff, which I attended, at the end of that meeting
15 Ms. Oliveira and I, as we like to do, coordinated after
16 the meeting to address the primary issues -- both the
17 call center hold time, which we had moved to our company
18 call center in South Carolina in an effort to
19 consolidate and keep rates down, it was indicated that
20 the local residents of Tamiami Village were having a
21 longer hold time and having even difficulty getting in.
22 We have since changed that. We listened to that concern
23 from Ms. Oliveira, and the call center volume of Florida
24 calls now goes to our Florida contract operator, not to
25 South Carolina. We fixed that.

1 Additionally, the, the need for a faster
2 response. Our Hudson operations office for Florida is
3 approximately three hours away from Tamiami Village. So
4 certainly if there was a major leak that occurred, I
5 heard about it from Ms. Oliveira that there was not a
6 timely enough response to, to the Tamiami location. We
7 have coordinated, our contract operations president has
8 coordinated with plumbers or contractors in the
9 immediate Tamiami Village area, which was offered by
10 Ms. Oliveira, and it's my understanding that that, that
11 connection and that ability for us to, to quickly hire
12 that person onsite -- not as a full-time operator but as
13 a local response to the issues that they might have.

14 So I feel like in, in that regard, because of
15 our coordinated effort with management of Tamiami
16 Village, we've been able to respond and properly address
17 those service issues.

18 **COMMISSIONER BROWN:** Thank you.

19 **CHAIRMAN BRISÉ:** Thank you.

20 Commissioner Graham.

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

22 I guess the question, the first question is to
23 Ms. Oliveira.

24 **MS. OLIVEIRA:** Oliveira.

25 **COMMISSIONER GRAHAM:** Oliveira. I remember

1 being at that customer meeting, this is one of those
2 ones that I was the prehearing officer on, and it, it
3 definitely got my attention the amount of people that
4 were there. It was a full room, and everybody
5 complaining that it was offseason. So I could imagine
6 what it would have been like during season.

7 But with these changes that they spoke about
8 that they've made, does that address most of your
9 issues? Now I didn't hear anything as far as what you
10 plan on doing about the boil water notices, because that
11 was a big issue that came up and several people talked
12 about that, but as far as the other issues so far.

13 **MS. OLIVEIRA:** It is still not where it needs
14 to be. The boil water notices is still a major issue.
15 You know, we'll do them, and the person that is their
16 employee, we can notify him. He may not come down now.
17 I have offered to do this so that it is readily
18 available with my staff because it's the only way I'm
19 guaranteed that I know what's going on. Because in the
20 past when they were in charge of doing it, we actually
21 had a situation, the office was never notified and we're
22 responsible for the 242 RV sites. And I happened at
23 that time to have somebody undergoing chemo and
24 radiation and nobody thought to tell the office we had a
25 boil water notice because there's a single meter for the

1 RV park, which we're responsible to notify those people.

2 The boil water notice is still a problem, but
3 it's not so much that that's the problem. It's the
4 employee problem. And even on October the 4th, which I
5 had, I had a major issue. We had -- my bookkeeper
6 notified their representative, "Look, we have a really
7 high water bill and we isolated it down to an irrigation
8 line." He came up to me and said, "Oh, it's not an
9 irrigation line. It's your RV park." I said, "No, it
10 can't be." He said, "No. It's your -- it's not your
11 irrigation line." I said, "Well, I will -- because it's
12 so big," I said, "I'll get a leak detection company out
13 right away." And then he came in and goes, "No, you
14 were right." I said, "Okay. Let's isolate it."

15 So my staff called him in. He was very rude;
16 he was obnoxious. He even went as far as called his
17 supervisor, put it on the speaker phone so my staff
18 could hear, and they were insulted. The person from Ni
19 Florida even said, over the speakerphone, "Well, hey, if
20 they want to just put the water on and let it run and,
21 hey, we'll collect the money." Well, that didn't solve
22 the problem. So it was my staff that isolated it, we
23 shut it off, and we got that zoned down because I'm
24 making progress, and it is an association
25 responsibility. But this isn't the first time. It's

1 one of many that we run into a problem and they have
2 somebody that comes, "Oh, yeah, you've got a problem,"
3 but nobody there to help us, to work with us. And it's
4 got to be a joint effort. I'm sorry. It just has to be
5 a joint effort. If they want to reduce their cost,
6 they've got to work with us and not insult my staff.

7 **COMMISSIONER GRAHAM:** So let's go back to the
8 boil water notices. What would be the fix as far as
9 trying to make sure that that happens? Because now
10 you're talking about more of a health issue.

11 **MS. OLIVEIRA:** Right. And we -- the -- Ni
12 Florida will let us know. We print them up, we cut
13 them, we have them all ready, we notice their
14 representative. I put it on our website because now I
15 have a new website, so some of my residents, it
16 immediately goes out. I call their representative. He
17 doesn't come pick it up. I do my RV park. I call them
18 again.

19 And there are times -- they know the office
20 closes at 4:00 -- that those boil water notices have
21 been sitting in the office and they don't get picked up.
22 I had one occasion when he delivered to one side of the
23 street and not the other side of the street. So the
24 boil water notice is still an issue and I don't know how
25 to fix it. I do -- I thought I was helping, but I'm not

1 sure what else to do.

2 **COMMISSIONER GRAHAM:** Well, in my opinion,
3 customer service is one of those things that the utility
4 has 100 percent control over. In my opinion, there's no
5 excuse for having customer service that isn't
6 sufficient. And this is one of the things that we have
7 control over, especially when we're dealing with the
8 ROE, and I think that's down to Item -- Issue Number 7.

9 But I guess I want to hear from the company,
10 what are some of your ideas on how you're going to
11 rectify, how you're going to fix some of these problems?

12 **MR. MELCHER:** Well, first I'd like to say that
13 between Ms. Oliveira and myself and our contract
14 operator we will come to an arrangement that meets all
15 of their needs absolutely on the most timely basis.
16 Certainly, if it is required, we can have a full-time
17 employee onsite. I don't know if that's the -- I would
18 hope for the sake of rates that that's not the answer we
19 need to come to.

20 But with regard to the boil water notices, we
21 will, obviously we will have an absolute requirement
22 from our contract operations to, to meet a timely
23 delivery of those notifications. And we will coordinate
24 it -- if I may, Barbara and I discussed it at length
25 initially in that it would be the most timely resolution

1 to let it go through her office, and we were agreeable
2 to paying for the printing costs or whatever costs she
3 might incur to see that that happens.

4 What we won't tolerate is a personnel problem
5 on our end, if that is the case, that's having trouble
6 meeting the needs from her point of view. She and I
7 will work that out. Beyond that, I don't think it's the
8 full-time employee that will be needed.

9 **MS. OLIVEIRA:** I do not think a full-time
10 employee is needed at that time. What we need to have
11 is better customer service. And what my biggest fear is
12 is, God forbid, Rick gets another job, I am literally up
13 a creek without a paddle. And I think it's a really sad
14 day that you have to have the association's manager,
15 who's taking care of 2,000 people, five different
16 associations, running out full speed, stops what she's
17 doing because I have a major issue. And you're right,
18 illness is a major issue in that village and I have to
19 make sure. And my only -- I mean, I've called the
20 service center and get the big runaround, and they know
21 who I am. Believe me, I make myself well known. If
22 there's any doubt in anybody's mind, please, I make
23 myself known.

24 But I think it's a sad state of affairs that I
25 have to send an e-mail to Texas -- and I have to tell

1 you, Rick gets back to me right away. It's one thing I
2 can guarantee since they have taken over that the only
3 person I can count on is that man right there. But it's
4 a sad state of affairs that you've got a water company
5 asking for the increases that they're asking for and
6 they cannot protect and provide the service, because
7 protection is part of this, protecting the health of the
8 people that they service.

9 **COMMISSIONER GRAHAM:** One last question.

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

11 **COMMISSIONER GRAHAM:** I guess this is to
12 staff. Staff, who is responsible for boil water
13 notices?

14 **MR. RIEGER:** Well, the utility is responsible
15 to get them out. This, of course, is under DEP
16 requirements whenever there appears to be a risk
17 assessment because of a broken water line or reduced
18 amount of pressure, whatever. So it's the utility
19 ultimately is the responsible party.

20 **COMMISSIONER GRAHAM:** And who, whose job is it
21 to make sure that that happens, which state agency?

22 **MR. RIEGER:** Well, DEP unless, unless it's a
23 county-controlled health department that's approved by
24 DEP. So in this case it would be Lee County, and more
25 than likely it's DEP.

1 **COMMISSIONER GRAHAM:** Now do we know if either
2 Lee County or DEP has been involved in some of these
3 boil water notices?

4 **MR. RIEGER:** They, you know -- well, yes, they
5 have been apprised of them. They are noticed. And as
6 far as we can tell, that -- the procedure as to how the
7 utility does it is accepted by, by DEP. Yes.

8 **COMMISSIONER GRAHAM:** Thank you.

9 Thank you, Mr. Chairman.

10 **CHAIRMAN BRISÉ:** No problem.

11 Commissioner Brown.

12 **COMMISSIONER BROWN:** Thank you. I think, I
13 think that Ms. Oliveira's concerns here, I'm happy that
14 you addressed them, and that was not really included in
15 the recommendation. So we appreciate your input here.

16 Mr. Rieger, but in the last rate -- Ni Florida
17 purchased the water system in 2011?

18 **MR. RIEGER:** 2011? No. I believe it was a
19 little bit earlier than that, but --

20 **COMMISSIONER BROWN:** But the last rate case
21 was '11.

22 **MR. RIEGER:** Yes.

23 **COMMISSIONER BROWN:** And we found the quality
24 of service for the water system to be satisfactory.

25 **MR. RIEGER:** Satisfactory. Yes.

1 **COMMISSIONER BROWN:** Okay. Thanks.

2 **CHAIRMAN BRISÉ:** Commissioner Balbis.

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

4 I have a question for Mr. Rieger.

5 I'm confused. You know, and I understand the
6 DEP has jurisdiction over boil water notices and the
7 health and safety issues, but what we do look at is
8 quality of service, which, you know, the quality of the
9 product, if you will, and also customer service. And
10 we've heard a number of concerns by a representative of
11 the customers that they have customer service issues,
12 they still have problems with boil water notices. Why
13 did staff recommend that the overall quality of service
14 should be considered satisfactory with all of these
15 issues?

16 **MR. RIEGER:** Yes. Well, we approached the
17 utility, of course, after the customer meeting. We
18 asked the utility to respond to the concerns brought up.
19 Basically the utility had responded with how they're
20 addressing their, their call center situation and, of
21 course, how they're making improvements to the water
22 system to either reduce the number of customer noticing
23 or to further improve on how the noticing gets out and
24 who should get the noticing. And given the assurances
25 of what the utility has prepared or provided to staff

1 and what we view as an ongoing situation, we believe
2 that the utility has, has addressed the situation. We
3 now have further assurances today of what more the
4 utility is willing to do to do that.

5 **COMMISSIONER BALBIS:** Were -- and to follow up
6 on Commissioner Brown's comments, in their last rate
7 case wasn't there a lot of discussion on boil water
8 notices in that case as well?

9 **MR. RIEGER:** I believe there probably was,
10 yes, sir.

11 **COMMISSIONER BALBIS:** And those problems have
12 continued and now you're just focusing on their, their
13 additional assurances that they're going to fix the
14 problem. Well, how long should the customers wait?

15 **MR. RIEGER:** Well, we do know that since the
16 last rate case they have done additional installations
17 and replacement of shutoff valves or whatever to help
18 isolate the, the service area. Nowadays, rather than
19 the whole service area being turned off because of
20 inoperable service valves, they're just able to isolate
21 to limit the amount of impact, per se, to the whole
22 service area. Yeah. We've been seeing improvements and
23 that's where we're coming from, yes.

24 **COMMISSIONER BALBIS:** I have a question for
25 Ms. Oliveira, and thank you for making the trip up here.

1
2 Is your issue with the boil water notices the
3 frequency of them or just the noticing issues?

4 **MS. OLIVEIRA:** It is one of the problems that
5 we face. But for me, I mean, the fact that pipe breaks
6 and things like that all come into play that we get, you
7 know, we don't get proper service. The boil water
8 notice is very important for me. It's very critical
9 because, like I said, I have an aged community that I
10 manage, that I'm the association manager for, and I have
11 multiple health issues. So it is one of the key
12 components for me. I mean, I did address the
13 Commission, you know, before regarding it. It is not
14 improved and, I mean, it is still a key concern for me.

15 And, I mean, the other issues, the pipe
16 breaks, which the pipe breaks lead to the boil water
17 notices, you know. And so we have those situations that
18 evolve.

19 **COMMISSIONER BALBIS:** Okay. And thank you.
20 And I think, as Commissioner Graham said, I mean, this
21 is something the utility can control. And there's
22 absolutely no excuse for not meeting the noticing
23 requirements, which are part of the regulatory
24 requirements of DEP, and there are health and safety
25 issues associated with it.

1 So I'm not comfortable with continuing to deem
2 their quality of service satisfactory when this is the
3 second time that these issues have been raised and they
4 have yet to be addressed. So I don't know what options
5 we have with that, but I certainly couldn't support it
6 being considered satisfactory.

7 **MR. McDONNELL:** Commissioner, in relation to
8 your last question to Ms. Oliveira or to staff, what has
9 the company done in an attempt to alleviate the boil
10 water notices, I'd ask if Mr. Melcher could address that
11 question.

12 **COMMISSIONER BALBIS:** Yeah. That's fine. And
13 I don't -- I understand that lines break, I understand
14 that boil water notices have to be issued, whether
15 reductions of pressure or what have you. My main
16 concern is the noticing requirements. And I think
17 Ms. Oliveira indicated that herself and her, who she
18 represents are okay with it. They just need to know
19 when it's time to boil the water and when it's time to
20 stop and that's the issue. So, you know, if you want to
21 address the noticing issues, then that's fine, but --

22 **MR. MELCHER:** Commissioner, we are certainly
23 in complete agreement on the noticing requirements and
24 the timeliness of it.

25 I wanted to address, there is some

1 quantifiable evidence of the significant improvements to
2 this system since we've had it. While I don't have data
3 in front of me, but we can certainly provide that, if
4 needed.

5 We were advised that the leaks and therefore
6 the boil water notices before acquisition of the system
7 occurred a couple to several times a week. During the
8 meeting that was held a month ago at the staff/customer
9 meeting in Tamiami one of the customers who wanted to
10 complain about the quantity of leaks and boil, and
11 required boil water notices stated that they were
12 happening far too often, as many as a time or two every
13 couple of months down from a couple a week when we
14 purchased the system. Significant repairs to that
15 collection system have lessened the number of leaks and
16 required boil water notices.

17 **MR. RIEGER:** Also, Commissioner, if I might
18 add, that there is no DEP enforcement activity
19 concerning this particular problem.

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

21 **MS. OLIVEIRA:** I would just like to say one,
22 one thing. Yes, with the new, the updates it has
23 improved, but the problem still remains that I can't get
24 the notices out in a timely manner. And that is still a
25 major issue, it was when I was here two years ago, it

1 continues to be. And I don't care if we're down to six
2 times a year, if I'm able to report the pipe that has
3 broken and that it is immediately serviced, and then
4 that minimizes the boil water notice and the time that
5 it gets out, it all goes hand in hand. And I've had
6 pipes that have broke that I've actually had their
7 representative come over and, instead of immediately
8 fixing it, tie a sock around it and said, "I'll get to
9 it." Okay?

10 I've had situations where I've had problems
11 with grease in a line. It was -- we ended up having to
12 send the water testing out and it was a petroleum-based
13 substance. We still never knew where it came to. It
14 impacted one whole clubhouse, one whole swimming pool.
15 Okay? We had -- it cost the association a lot of money.
16 We have no idea where it came from, but it was a
17 petroleum-based water that infiltrated the water system
18 to that one area. So I did have to do boil water
19 notices. So they go hand in hand.

20 If you get a pipe break that you can report
21 that you can get it fixed, it minimizes the boil water
22 notice, and the boil water notice I can get out in a
23 timely manner. I -- I mean, believe me, my staff
24 sometimes is very frustrated that they have to stop what
25 they're doing to go and print these, get them cut and

1 have them ready. And then it frustrates me that I've
2 got to turn around and they don't get turned out.

3 **CHAIRMAN BRISÉ:** Thank you.

4 Commissioner Graham.

5 **COMMISSIONER GRAHAM:** Staff, I agree with
6 Commissioner Balbis and some of the statements that
7 Commissioner Brown has said as far as the quality of
8 service here. If we want to downgrade the quality of
9 service from satisfactory, what is the next level down
10 from there? What would we call it?

11 **MR. RIEGER:** It would be marginal.

12 **COMMISSIONER GRAHAM:** Then I'd like to make a
13 motion that we change the quality of service for this
14 customer from satisfactory to marginal.

15 **COMMISSIONER BALBIS:** Second.

16 **CHAIRMAN BRISÉ:** Okay. It's been moved and
17 seconded.

18 Commissioner Brown.

19 **COMMISSIONER BROWN:** Commissioner Graham,
20 point of clarification. Is that for the entire -- is
21 that for both the utility's plant and facilities for
22 wastewater and water or marginal just for water?

23 **COMMISSIONER GRAHAM:** Just for water.

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

25 **CHAIRMAN BRISÉ:** All right. It's been moved

1 and seconded with the clarification. Any further
2 discussion or comments?

3 All right. We are ready to proceed. All in
4 favor, say aye.

5 (Vote taken.)

6 Okay. Any opposed? Seeing none. So
7 recognition that the quality of service is deemed
8 marginal for water and not the wastewater. Okay.

9 **MR. McDONNELL:** Mr. Chairman, I apologize.
10 Mr. Wallace would like to address briefly the Commission
11 regarding the situation. I understand there's been a
12 vote, but Mr. Wallace, the president, would like to
13 address the Commission regarding this issue, if he
14 could.

15 **CHAIRMAN BRISÉ:** We can hear you. Sure.

16 **MR. WALLACE:** Thank you very much for letting
17 me say a word.

18 **CHAIRMAN BRISÉ:** Sure.

19 **MR. WALLACE:** As the president of the company,
20 quality service is our utmost concern. Rick Melcher is
21 on staff all the time for those -- for that reason.
22 He's easily accessed. And when he is accessed, we have
23 action.

24 As an absentee owner, that system is very
25 difficult for us to monitor timing. So part of the

1 problem here that Barbara is experiencing is that we
2 find out about a system, we come fix it, we come figure
3 out what the problem is, we tell her, there's no way
4 that I can find as a manager to fix that problem on a
5 day-to-day basis without a full-time employee. So if
6 the staff decides that that is -- if the Commission
7 decides that we, that we have marginal service, then the
8 only thing that I can do as a manager to fix that is to
9 have a full-time employee, and I will start that on
10 Monday. I don't have one for the simple reason that
11 we're trying to keep the rates low for these retired
12 people.

13 But if I have to try to deal with a
14 communication issue that I know by its very nature is
15 flawed -- I mean, you can't work in an environment
16 where, in a realtime environment where a spill happens
17 at 10:00, you get a guy there at 2:00, you assess the
18 problem and need a boil water notice, it's now 5:00, it
19 doesn't get out until the next day, and that's
20 considered marginal. Well, then I only know one way to
21 solve it, and that is to have a full-time person there.
22 So I'm happy to do that, and we'll be back in two years.
23 I mean, I don't know what else to do.

24 And I can -- I cannot stress to this
25 Commission that there's nothing more important to Ni

1 America than quality service. We pride ourselves in it.

2 We have a reputation everywhere we go that we are
3 people that do the right things. It's a personal
4 affront to me when I find out that I'm not doing the
5 right thing, and so I'll fix it. And that's all I want
6 to say.

7 **CHAIRMAN BRISÉ:** Thank you. I think there may
8 be some questions for you.

9 Commissioner Graham.

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

11 And I appreciate what you're saying and the
12 effort that you guys have made. But the point was the
13 last time we gave you a satisfactory rating of customer
14 service and we had these problems -- granted, the
15 problems are less now than they were in the past -- but
16 if you were as responsive as you're indicating now with
17 the problems with the boil water notices, then
18 Ms. Oliveira would not still be having these kind of
19 problems that she says that she's having.

20 So I guess you consider this a shot across the
21 bow because if not for Mr. Melcher, trust me, I would
22 have gone even lower than what was already in my head as
23 far as the rating of the customer service and even the
24 ROE. Because he is there and he's kind of your
25 Johnny-on-the-spot, but there's still a gap there that

1 needs to be, that needs to be dealt with and fixed. And
2 if we sit back and just rubber stamp this as another
3 satisfactory again, I don't see you guys putting forth
4 the effort that needs, that needs to happen to make sure
5 that this health problem goes away.

6 **MR. WALLACE:** I totally accept that, Your
7 Honor. And the only way I know how to fix it is to have
8 a full-time employee. I don't know of any other way to
9 do it, so I'm happy to do that.

10 **MR. REILLY:** One quick response to that is the
11 customers are paying for a contract operator to operate
12 the system, and it may be that there's a possibility
13 that they can get with that management and work out
14 better service with what is already in the revenue
15 requirement. Thank you.

16 **CHAIRMAN BRISÉ:** All right. Thank you. Any
17 further comments?

18 Okay. All right. Moving on to Item Number 2.
19 And, Commissioners, you can feel free to -- if there are
20 items that, that you think we could take in groups, you
21 can feel free to, to make that suggestion through the
22 Chair.

23 I did want to ask the Office of Public Counsel
24 what issues specifically that they wanted to address and
25 we can highlight those.

1 **MR. REILLY:** Yes. The issues we want to talk
2 about would be Issue 3. One of the parts of that issue
3 is funding of the elder valve pro forma. We definitely
4 want to talk about that.

5 I think we want to talk about Issue 12, rate
6 case expense.

7 **CHAIRMAN BRISÉ:** Sure.

8 **MR. REILLY:** Issue 13, bad debt expense.

9 I believe we still want to talk about Issue 14
10 on the -- no. Yeah. We are going to talk about the
11 purchased wastewater pro forma.

12 And -- excuse me? I skipped Issue 11. I
13 think the company is going to be talking about some of
14 those issues, and we have, I guess, some response to
15 that.

16 And then Issue 17 kind of ties in with Issue 3
17 because there's a lot of language about the elder valve
18 program that we're just really concerned about. So
19 those would be the issues: 3, 12, 13, 14, and 17, and I
20 think Issue 11 is going to be teed up anyway, so.

21 **CHAIRMAN BRISÉ:** Sure.

22 **MR. REILLY:** Okay. So that would cover it.

23 **CHAIRMAN BRISÉ:** Thank you.

24 And, Ni Florida, are there issues that, that
25 you particularly want to bring up and have objections to

1 the staff recommendation? You can just provide the
2 number.

3 **MR. McDONNELL:** The directors' fees, which are
4 part of the number 11, allocated parent overhead; and
5 the decision by staff regarding the AWWA profile, which
6 also is under 11; the rate case expense, which has
7 already been raised by Public Counsel; and our online
8 bill payment system under Issue 14. So basically the
9 same issues that OPC asked to address we also ask to
10 address.

11 **CHAIRMAN BRISÉ:** All right. Thank you very
12 much.

13 All right. Commissioners, so we are currently
14 on Issue Number 2. There is a question -- there are
15 going to be questions or concerns on Issue 3 by OPC. So
16 I guess let's, let's deal with Issue Number 2, and then
17 we'll go to Issue Number 3, and then see if we can take
18 up some of those other issues jointly.

19 Issue Number 2.

20 **MR. FLETCHER:** Commissioners, Bart Fletcher
21 with Commission staff.

22 Issue 2 is staff's recommendation to approve
23 the audit adjustments that the utility agrees with.

24 **CHAIRMAN BRISÉ:** Okay. Commissioners, any
25 questions on Issue Number 2?

1 Commissioner Brown.

2 **COMMISSIONER BROWN:** Move to approve staff
3 recommendation on Issue 2.

4 **COMMISSIONER EDGAR:** Second.

5 **CHAIRMAN BRISÉ:** Okay. It's been moved and
6 second. All in favor, say aye.

7 (Vote taken.)

8 All right. Thank you very much.

9 Moving on to Issue Number 3.

10 **MR. FLETCHER:** Commissioners, Issue 3 is
11 staff's recommendation to approve pro forma plant
12 additions for the utility's wastewater system and also
13 the fallout adjustments for them.

14 **CHAIRMAN BRISÉ:** All right. Thank you.

15 Mr. Reilly.

16 **MR. REILLY:** Thank you. The, the pro forma
17 items that we really want to focus on are the elder
18 valve installations of 25,000 -- 25,000 requested by the
19 company. Actually staff gave them a little bit more. I
20 think it was up to about 58,000 they're recommending.
21 We, we strongly believe that the Commission should not
22 approve any funding for the elder valve program.

23 In support of their program, the company in
24 its filing and in a recent letter stated that it had to
25 physically disconnect wastewater service with its

1 customers if they failed to pay their wastewater bills
2 because Ni Florida was advised by a water service
3 provider that serves Ni Florida customers that it would
4 not be willing to turn off water service at Ni Florida's
5 request when water service -- because of a customer's
6 failure to pay his wastewater bill. Our research of
7 this issue produced a completely different result.

8 Pasco County Water told our office that
9 Ni Florida never contacted Pasco County to arrange for
10 water service to be turned off to Ni Florida's customers
11 that paid -- that refused -- that did not pay their
12 wastewater bills, and that if Ni Florida had contacted
13 Pasco County, it would have been more than willing to
14 provide shutoff service to Ni Florida.

15 Further, the other water provider to Ni
16 Florida customers, Hudson Water Works, has also assured
17 our office that it stands ready and able to revise its
18 contract with Ni Florida to include disconnecting water
19 service of their shared customers for an appropriate
20 fee, and with arrangements similar to those that Hudson
21 Water Works has worked out with Pasco County because
22 Pasco County Water Works currently provides cutoff
23 service to, to, to those, to those customers.

24 Physically stopping a sewer line with an elder
25 valve is the most expensive -- and under the staff

1 recommendation it's somewhere around \$300 to \$2,700 --
2 and undesirable way to enforce payment of a wastewater
3 bill. Closing a sewer line can cause serious discharges
4 of wastewater into the home and into the environment,
5 resulting in serious health, safety, and welfare issues.
6 It should only be employed as a last resort after all
7 other reasonable efforts have been undertaken.

8 Our research has indicated that Ni Florida did
9 not exercise its best efforts to arrange for water
10 providers of its wastewater customers to turn off water
11 service who failed to pay their bill. For this reason,
12 we feel that Ni Florida's elder valve program is
13 imprudent and should not be funded.

14 Rather than funding an elder valve expense,
15 the Commission should order Ni Florida to meet with the
16 two other water providers that serve their wastewater
17 customers to make arrangements for the turning off of
18 the water of customers who don't pay their wastewater
19 bills. The cost of turning the water service on and off
20 should be borne solely by the cost causers, the very
21 customers that fail to pay their bills. This type of
22 water cutoff program would cost far less, be more
23 effective in getting the wastewater bills paid, thereby
24 reducing the company's bad debt expense, and would cost
25 nothing to the general body of ratepayers, which is

1 exactly the way it should be.

2 So, you know, that is our recommendation is
3 that rather than endorsing and having all this language
4 approving an elder valve program, the company should be
5 ordered to as quickly as possible meet with these water
6 providers and work out ways to have this much better way
7 of doing it that will solve their bad debt problem as
8 well as, frankly, make it much, much more likely for a
9 person to pay their bill. I mean, when they're facing a
10 \$60 or \$70 wastewater bill and then a seven, eight,
11 nine, \$1,000 elder valve problem, they may never pay
12 that bill, you know. So that would be our
13 recommendation.

14 **CHAIRMAN BRISÉ:** Thank you, Mr. Reilly.

15 Yes, ma'am.

16 **MS. MERCHANT:** Tricia Merchant with the Office
17 of Public Counsel. I just have a couple of more
18 comments. We got a letter this morning from Ni America
19 regarding the elder valve issues, and one of the things
20 that they say is they did contact the water suppliers
21 earlier, but -- in 2009, in that time frame -- but they
22 started installing elder valves in 2011. And from
23 2011 -- and they really installed a bunch in 2012 and I
24 think they've installed some in 2013, but they never
25 contacted the water providers in 2011 before they

1 started the elder valve. And we understand that they
2 have a bad debt problem, and we'll discuss that when we
3 get to the bad debt issue. But one of the things -- I
4 contacted several other utilities that have water only
5 systems, and that was the first thing that they said
6 that they do is they try to work out an agreement to --
7 that's the cheapest way, the most cost-effective way.
8 And the only time that they build elder valve
9 installations is when they cannot get, get an agreement
10 with the other water providers. So -- and that's all I
11 have on that.

12 **CHAIRMAN BRISÉ:** Thank you.

13 Mr. McDonnell, we'll hear from you in a
14 second, but I think Commissioner Brown has a question.

15 **COMMISSIONER BROWN:** And I'll, and I'll ask
16 you a question.

17 **MR. McDONNELL:** Okay.

18 **COMMISSIONER BROWN:** But I will say this is
19 one of the biggest issues that I had with the
20 recommendation. I just was trying to grasp the benefits
21 to all of the customers other than a reduction of the
22 overall bad debt. So I spent a lot of time with our
23 staff on this particular question, recognizing the fact
24 that elder valve -- installing elder valves are somewhat
25 new in the utility industry from my understanding.

1 But the question I have for you, sir, is with
2 regard to whether Ni Florida did contact Pasco County
3 about the water cutoff.

4 **MR. McDONNELL:** Yes. There is a letter that
5 was just handed out to you signed by our contact in
6 Florida, John Wittenzellner of UG Florida, LLC, which
7 specifically states in 2009 and in 2010, prior to
8 installing the first elder valve, he contacted both
9 Hudson Water and spoke with a Mr. Horak. Mr. Horak took
10 our request to the board of directors for Hudson, and we
11 were advised that the board of directors were not going
12 to allow that to happen because they are customer owned.

13 Additionally, we contacted Pasco, and
14 according to our contract he met with -- her name is
15 here -- Ms. Anna Maria Varrious, V-A-R-R-I-O-U-S,
16 Customer Service Manager at that time with Pasco County.
17 And, again, our efforts were fruitless.

18 **COMMISSIONER BROWN:** Well, I was trying to
19 figure out legally how Pasco County, if a customer is a
20 good paying customer for water services, how they can
21 cut off wastewater services. It doesn't really make a
22 lot of sense to me how that's permissible, and I'll ask
23 you that.

24 But I want to follow up with you on the other
25 alternatives that the utility has considered addressing

1 this issue and this bad, this growing bad debt expense
2 other than the elder valves.

3 **MR. McDONNELL:** Yeah. Well, staff makes a
4 recommendation as what we should do additionally, and
5 that is to double the customer deposits so we have two
6 months of deposits rather than one month of deposit.
7 Because of processing issues, it takes a while until it
8 becomes a bad debt. And I think our representatives
9 here agree with that recommendation to reduce bad debt.

10 And also what I'd like to say is in today's
11 world elder valves are a part of every hookup. I mean,
12 the experts can talk about that better than I can.

13 **COMMISSIONER BROWN:** That would be -- because
14 my understanding from staff was that it hasn't been
15 utilized as much as you may imply.

16 **MR. McDONNELL:** The new ones. New buildings,
17 they all have these elder valves. They serve other
18 purposes besides being able to shut off a customer. If
19 a problem is on the property, the company can go look at
20 that problem. The elder valve is used to help find
21 problems and rectify problems. It's not just there to
22 shut off a bad debt. And I believe we have a witness
23 here to testify as to the number of elder valves that we
24 have installed and the number that were installed solely
25 because of a bad debt.

1 **COMMISSIONER BROWN:** I'd be curious to hear.

2 **MR. McDONNELL:** Mr. Melcher.

3 **MR. MELCHER:** Thank you, Commissioner.

4 First, we'd like to point out that it is truly
5 not just a hammer, if you would, for the bad debt
6 collection. There's -- there are significant
7 operational impacts of having the elder valve, which is
8 truly a better method to control, have control over our
9 flow of wastewater. Without the elder valve in place,
10 which is in effect a plug, in the event of a, a blockage
11 in a main line or somewhere else in our collection
12 system, it will prohibit the backflow of wastewater into
13 a residence.

14 The -- it has been mentioned that it can cause
15 a potential overflow. The only situation where I'm
16 aware of that being possible we would refer to as theft
17 of service when a new resident moves -- or in this -- in
18 the Hudson area our residents are, are primarily
19 renters. They come and go quickly; there's a great
20 turnover. So when the old resident leaves and a new
21 resident moves in, there's no way for us to ever know
22 that there is a new resident there. And the only way to
23 ensure that he comes in to apply for a new service and
24 get it in his name is to -- and we would have a door
25 hanger on that residence to make them aware that the

1 wastewater is plugged so that they come in to apply for
2 service.

3 If they were to attempt to use the facilities,
4 the premises without having that removed, then there
5 could be an overflow in that residence. But it's only
6 because they did not come out and make application for
7 us to remove that plug.

8 **COMMISSIONER BROWN:** Thank you. And switching
9 to -- thank you for -- I don't need further explanation.

10 But Office of Public Counsel -- Mr. Chairman,
11 this is my last question -- with regard to the legal
12 mechanics, I don't really think that Pasco County would
13 have the authority legally, if they're a good paying
14 water customer, to shut off their water, their water
15 service for bad -- on a separate system, entirely
16 separate system.

17 **MR. REILLY:** That is not the case. In fact,
18 we did put in the file -- we got this letter
19 October 9th, and it is in the docket file -- a letter
20 from the head of Pasco County Utility. Many of you know
21 him, Bruce Kennedy. And he, I quote from his letter,
22 "As the director of the Pasco County Utilities, a water
23 supplier of Ni service, we have not been contacted about
24 shutting off water service to delinquent sewer customers
25 only. Further, we have been contacted -- if we had been

1 contacted, we would have been more than willing to
2 provide the shutoff." They are currently doing that --
3 this arrangement with Pasco County with other providers.
4 And, in fact, they passed an ordinance that provides and
5 allows for water providers to cut off service to
6 wastewater providers in Pasco County.

7 So, I mean, you asked -- that's, I guess, a
8 specific address. And that ordinance is attached to his
9 letter and is in the court -- is in the docket file.
10 And I can hand that out.

11 **COMMISSIONER BROWN:** Thank you, Mr. Reilly.

12 Thank you.

13 Ms. Brownless, can you respond?

14 **MS. BROWNLESS:** I certainly can. The
15 ordinance that the Pasco County was referring to is
16 153.12. And that particular ordinance applies when
17 Pasco County provides sewer service and another entity
18 provides water service. And it was passed in connection
19 with the fact that many municipalities and counties
20 issue revenue bonds to construct sewer services and
21 water services.

22 So what 153.12 does is says if Pasco County
23 has constructed a sewer service and is providing sewer
24 service only, that by resolution, which they did pass,
25 they can contact the nonaffiliated water company and

1 request that they turn the water off. And if, in fact,
2 the water company does not choose to do that, the
3 statute allows Pasco County itself to do that.

4 So I don't think that the statute is
5 applicable here where you have Pasco County not
6 providing the sewer service.

7 **MR. McDONNELL:** The company agrees with
8 Ms. Brownless's analysis of that ordinance, by the way.

9 **MS. MERCHANT:** I did speak to the people in
10 Pasco County Utilities, and they have other utilities
11 where they are the water provider. And there's a sewer
12 only utility, and they do, Pasco County does provide
13 that same service to a sewer only utility for their --
14 so they cut off. And they said that, for us they said,
15 you know, we would encourage that. They have a concern
16 about the environmental impact is mainly what the people
17 said, that if you don't shut off the water and, and --
18 you could have a mess.

19 So, but anyway, so they do that. They
20 coordinate that with Pasco County Water for wastewater
21 only providers that are not Pasco County. And then
22 Hudson Water Works has that, that coordination with
23 Pasco County wastewater. So they do it both ways.
24 Pasco County does do it both ways.

25 **COMMISSIONER BROWN:** Mr. Chairman, I'd be

1 curious to hear what my other Commissioners feel about
2 this issue.

3 **CHAIRMAN BRISÉ:** Thank you.

4 Commissioner Balbis.

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

6 I have a question for the company. We
7 discussed previously about difficulties you've had with
8 noticing for boil water issues. Am I --

9 **CHAIRMAN BRISÉ:** No. You're fine. I was
10 talking to the court reporter, making sure she's okay.

11 **COMMISSIONER BALBIS:** Okay. So we talked
12 about problems you've had with noticing on boil water
13 issues, and, of course, that has to do with the water
14 system. And you indicated that the customers would be
15 notified with door hangers that their sewer service has
16 been turned off.

17 Have you thought about the likelihood of you
18 having difficulties notifying these customers similarly
19 to what you did with boil water notices? And if so,
20 wouldn't that cause an issue if there's damages to the,
21 the property if they continue to use service because
22 they didn't know it was cut off because you failed to
23 notice them? Is that a liability that you've thought
24 about?

25 **MR. MELCHER:** To make a correction on that

1 door hanger concept, that was not for a current resident
2 who was being plugged for nonpayment. That was to be
3 placed on a vacant house in an attempt to, to get the
4 notice of a new customer that might move in so that they
5 would be aware that that service was plugged and that
6 they need to come into the office for service. We would
7 not solely notify an existing delinquent customer of a
8 plug with a door hanger.

9 **COMMISSIONER BALBIS:** So what would be the
10 process of notifying a delinquent customer? How would
11 you ensure that they know that their service is going to
12 be cut off so they don't continue to use their water and
13 damage their property potentially?

14 **MR. MELCHER:** Sir, in some of our systems
15 regulations require a certified letter. I am not
16 certain if that is the case here.

17 **COMMISSIONER BALBIS:** So --

18 **MR. MELCHER:** I believe it's a two-week
19 notice, and it requires written notice to the existing
20 customer that he's delinquent and in jeopardy of having
21 a plug installed.

22 **COMMISSIONER BALBIS:** And you indicated that
23 you've -- or someone indicated that you've installed
24 these elder valves in the past. And if so, have you
25 shut off customers and how effective was it? And if you

1 would just walk through that.

2 **MR. MELCHER:** Yes, sir. A very good point.
3 We certainly endeavor to install these elder valves
4 throughout our wastewater systems in all of our
5 locations as a method to both control the operations and
6 the flow of wastewater, as well as this delinquency
7 issue.

8 If I may, Commissioner Brown had questioned
9 the numbers, and we have some stats for you, if I may.
10 Over an approximate two-year recent period we did
11 install 180 elder valves in the Hudson system. 40 of
12 those were due to operational issues in order to make
13 repairs and gain access to the system for INI issues and
14 in order to gain access to clean the collection system.

15 33 were installed under new construction by
16 new customers. 45 were installed for bad debt
17 collection, and all 45 of those paid their bills. So it
18 certainly does work. 36, the final 36 were installed on
19 vacancies so that they would be on hand for future,
20 which is our policy, to eventually have an elder valve
21 at all locations.

22 **COMMISSIONER BALBIS:** Okay. Thank you. And
23 that is helpful. And I recognize the unusual situation
24 that you're in and that you're providing wastewater
25 collection services and not water services, because I

1 know at the City of West Palm Beach our only option was
2 to cut off the water, which is always difficult to do,
3 but, you know, the utility has to recover their cost and
4 they shouldn't be subsidized by the customers that do
5 pay their bills. So I think this is an unusual
6 situation, and I'd like to hear from my fellow
7 Commissioners as well on it.

8 **CHAIRMAN BRISÉ:** All right. Commissioners,
9 any further questions, additional comments?

10 Ms. Brownless.

11 **MS. BROWNLESS:** Commissioner Balbis, I'd just
12 like to bring to your attention that the Commission does
13 have a rule regarding a discontinuance of service that
14 does -- that's Rule 25-30.320 -- and it does require at
15 least five working days written notice to customers
16 prior to discontinuing either water or sewer service.

17 **COMMISSIONER BALBIS:** Okay. Thank you. And I
18 just wanted to ask the utility if they've thought this
19 out, that if they have a problem with noticing and they
20 cut it off and there's damages, et cetera. So that's --
21 that was the only reason why I asked that.

22 **CHAIRMAN BRISÉ:** All right. Yes.

23 **MS. MERCHANT:** Public Counsel would actually
24 like to ask the company a question: Where the elder
25 valves are being installed. If they're on the

1 customer's property or if they're in the easement? And
2 I just -- I know where my personal cutoff valve is for
3 mine. But it seems like if you're on the private
4 property, that it's not the utility's line at that
5 point. And whether -- and if you're installing the
6 elder valve before the easement or after the easement.

7 **MR. MELCHER:** You're certainly correct. The
8 property line is the division between customer and
9 company responsibility, and the elder valve would be
10 placed near the property line but within the easement.

11 The issue becomes that most customers are
12 unaware that the utility easement extends to within
13 their yard to some degree, and so they feel like it's on
14 their property but it's still within the easement.

15 **MS. MERCHANT:** Thank you so much. I
16 appreciate that.

17 **MR. MELCHER:** If I may, in regards to the, to
18 the two water providers, both Hudson and Pasco County,
19 even as recently as last week we met with, with Pasco
20 County and had phone calls that went unreturned from
21 Hudson county [sic]. But Pasco says while they are
22 certainly willing to provide water shutoffs in this
23 regard, they are currently unable to due to time
24 constraints and other issues -- willingness but not
25 ready at this time to do so. We remain in contact in

1 trying to work this out with them if it is a solution.
2 Currently both are saying that they're unable to provide
3 that at this time.

4 **CHAIRMAN BRISÉ:** Mr. Reilly.

5 **MR. REILLY:** Our information is completely
6 contrary to that. I spoke to Pasco County this morning,
7 and because I had heard that the company met with Pasco
8 County on Monday. And what was the subject of that
9 conversation? The subject of the conversation was the
10 problem with the infiltration and the, the main problem,
11 but also discussed was this issue. And it was repeated
12 that they would be ready, willing, and able to not only
13 make an arrangement to be able to do the cutoff to avoid
14 the elder valve, they also said you should really have
15 us read the meters. We're already reading the meters.
16 You should save your customers money and take our meter
17 readings for your wastewater service.

18 So we have written -- to just bring this to a
19 matter and bring it, instead of he said/she said, we
20 have -- this is filed saying definitively we will do it.
21 This I just received in the last 24 hours. These are
22 e-mails from Hudson Water Works, and it does document in
23 one e-mail the limited effort that the company did make
24 to try to get them to do this, and it was not successful
25 and in this e-mail it says why it was not successful.

1 But in this other e-mail they continue to say we are
2 ready, willing, and able to sit down and try to get this
3 thing worked out.

4 You have to understand that Florida Water
5 Works is a co-op. I represent the same customers that
6 they, that they serve. So we know it's in the best
7 interest of the customers to have this less expensive,
8 most reasonable way to collect wastewater bills, and we
9 want the cost causers to pay the cost of connecting on
10 and off. When you stick it in rate base with no CIAC,
11 you're doing the exact opposite thing; you're making the
12 general body of ratepayers pay for this elder valve
13 project that they're blameless in.

14 So I'm going to hand these out and, and have
15 everyone look at them, but this is written confirmation
16 that both water providers are willing to sit down and
17 work this out. And if that is the case, that's what the
18 Commission should order the company to do.

19 **CHAIRMAN BRISÉ:** Before I go to -- two
20 questions. Let me, let me ask staff, where are we in
21 terms of time with this particular --

22 **MS. BROWNLESS:** This is a PAA. There's a
23 five-month deadline for issuing an order; otherwise, the
24 utility can go ahead and put the rates in effect subject
25 to refund. So that is why we're here at agenda today is

1 in order to meet that November 4th deadline.

2 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

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

4 And hopefully I may be able to come up with a solution
5 here.

6 My first question is for Mr. Fletcher, and
7 going to the bad debt expense issue. It's my
8 understanding, it's obvious that the utility is moving
9 forward with this in order to address the bad debt
10 issue. Has staff or the utility made adjustments of bad
11 debt expense in anticipation of these elder valves
12 coming in?

13 **MR. FLETCHER:** Yes, Commissioner. On page 32
14 of staff's recommendation on the bad debt expense issue,
15 one -- in addition to the bad debt expense, there was
16 operational reasons for the elder valves, but that was
17 one of the main primary reasons why they were coming in
18 and seeking that plant investment for those elder
19 valves.

20 And on the second paragraph on page 32 staff
21 has made recommended adjustments. One to the \$33,051
22 investment of elder valves that are in service now, a
23 \$560 reduction to bad debt expense, and for the
24 recommended pro forma incremental \$25,000 investment
25 that the company will be making on the needed customer

1 accounts that are most delinquent, additional
2 \$444 adjustment for that one.

3 **COMMISSIONER BALBIS:** Okay. Thank you. And I
4 just wanted to make another point as far as Office of
5 Public Counsel's position that, you know, it should be
6 borne by the cost causers.

7 I don't see how there's a difference between
8 these elder valves and also on, for example, a water
9 system where you have a shutoff valve. That is, that is
10 included in rate base normally. So I don't see a
11 difference in this situation. But I do recognize
12 there's some confusion as to whether or not the water
13 providers will be willing to cut off service, and what I
14 would like to see happen is the utility to develop a
15 protocol that step one would be to contact the water
16 provider and to do that, and as an absolute last resort
17 to go and shut off the wastewater collection with their
18 elder valve.

19 But I think it's appropriate to put into rate
20 base, and the fact that staff's made adjustments to bad
21 debt expense, you know, expecting the bad debt issue to
22 improve, I think it's appropriate. And as long as the
23 first option is to contact the, the water provider for
24 shutoff, if that is in place, I'm comfortable with it.
25 Because the last thing I would want to have happen is

1 this continue to be a problem and then you're in front
2 of us again in a couple of years with the exact same
3 issue. So, you know, with that, I'd be ready to move
4 forward on this issue, and I think we've addressed it.

5 **CHAIRMAN BRISÉ:** Commissioner Graham.

6 **COMMISSIONER GRAHAM:** Commissioner Balbis
7 pretty much said what I was going to say as far as the
8 elder valves go. I don't have a problem with them using
9 that -- those valves to, to help collect their bad debt.
10 You know, I think the better way of doing it would be to
11 work out something with the water provider, and maybe
12 with the help of OPC they can get that done. But it
13 seems like, you know, there is a disconnect between what
14 the company is trying to do and the water providers.

15 And, I mean, they've been very -- they're very
16 specific about who they contacted and when they
17 contacted them. And, you know, especially now that
18 Pasco County is not even here to address, you know,
19 their side of this thing, you know, I definitely have to
20 give them the benefit of the doubt. I think that they
21 are legitimately trying to make this work and this is an
22 option that works for them, and I don't have a problem
23 with that option.

24 **CHAIRMAN BRISÉ:** Okay. Commissioners, I think
25 we're in the posture to entertain a motion.

1 Commissioner Balbis.

2 **COMMISSIONER BALBIS:** Mr. Chairman, I'd move
3 staff's recommendation on Issue 3.

4 **COMMISSIONER BROWN:** Second.

5 **CHAIRMAN BRISÉ:** Okay. It's been moved and
6 seconded. Any further discussion on Issue Number 3?

7 Okay. Seeing none, all in favor, say aye.

8 (Vote taken.)

9 Thank you. Moving on to Issue Number 4. As
10 we stated before, please take a look at those issues and
11 identify if there are any that you would like to take up
12 together. If not, we're going to go ahead and go
13 through them one by one, recognizing that obviously
14 Issue Number 7 is one that we may want to take a look at
15 since we looked at the quality of service component.

16 Commissioner Edgar.

17 **COMMISSIONER EDGAR:** I was just going to
18 suggest that we ask staff to give us a very brief
19 overview of 4, 5, and 6 together.

20 **CHAIRMAN BRISÉ:** Okay.

21 **MR. RIEGER:** Starting with Issue 4,
22 Commissioners, is the used and useful percentage of the
23 water distribution and wastewater collection system.
24 Staff recommends that the used and useful for both those
25 systems should be considered 100% used and useful.

1 **MR. FLETCHER:** For Issue 5 it's staff
2 recommendation regarding the appropriate working capital
3 allowance for the utility's water and wastewater system.
4 Issue 6 is a fallout adjustment regarding rate base.

5 **CHAIRMAN BRISÉ:** Okay. Commissioner Balbis.

6 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
7 I move staff's recommendation on Issues 4, 5, and 6, and
8 also giving them the authority to make the adjustments
9 to Issue 6 on, based upon any other changes we make in
10 the other issues.

11 **CHAIRMAN BRISÉ:** Okay. It's been moved and
12 seconded. Any further comments?

13 All right. Seeing none, all in favor, say
14 aye.

15 (Vote taken.)

16 Okay. By your motion and vote you have
17 approved Issues 4, 5, and 6.

18 Moving on to Issue 7.

19 **MR. FLETCHER:** Issue 7, Commissioners, is
20 staff's recommendation regarding the appropriate return
21 on equity.

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

23 Commissioners. Commissioner Graham.

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

25 I, I guess I'm looking for direction from

1 staff or from my fellow Commissioners on the adjustment
2 that we want to make to the ROE. I have to tell you
3 that my -- where I initially thought I was going to
4 start has decreased quite a bit. As I said earlier,
5 Mr. Melcher has, has dealt with and helped a lot of the
6 concerns or problems that I had with the customer
7 service. I think the company is trying to move forward.
8 I think that they are putting forth the effort to move
9 forward. Granted they haven't fixed all the problems
10 and there still are disconnects there, so that's the
11 main reason why we made that change from satisfactory to
12 marginal.

13 But I guess my, my 50 basis points that was in
14 my head kind of goes out the window. I think that's
15 just too extreme. But I don't know where we need to go
16 to as far as -- I guess more -- if nothing else, just to
17 send the message that, you know, this is not where we
18 need to be and we need to continue moving forward. And
19 I don't know if ten basis points is it, if that does
20 do -- if that does what we need for it to get done. So
21 I guess I'm looking to the Commissioners or to staff or
22 anybody with a recommendation.

23 **CHAIRMAN BRISÉ:** So I'll chime in before I
24 open it up to the rest of the --

25 **MR. McDONNELL:** Did you say anybody could

1 chime in? (Laughter.) I'm sweating a little over here,
2 Commissioner Graham.

3 **CHAIRMAN BRISÉ:** If, if your original baseline
4 was maybe 50 basis points, maybe we could look at 25 or
5 12.25 or something like -- I mean 12.5 or something like
6 that, in those kind of increments. That's just a
7 thought. Okay?

8 I see other lights. Commissioner Balbis and
9 then Commissioner Brown.

10 **COMMISSIONER BALBIS:** Okay. Thank you, Mr.
11 Chairman.

12 And I agree with a lot of Commissioner
13 Graham's -- with Commissioner Graham's comments. I
14 think the problem with just deeming it marginal and not
15 having any impact, I'm not sure if it provides the
16 proper incentive to, to address these issues. But I
17 also want to make sure that there's a mechanism in place
18 so that if these issues are addressed satisfactorily,
19 that this penalty, if you will, will be, will be
20 removed. I think the 50 basis points is, is too high in
21 light of the fact that they have made some improvements,
22 although not quantifiable. But I think somewhere
23 between 50 and zero is sending the appropriate message.

24 **CHAIRMAN BRISÉ:** All right. Commissioner
25 Brown.

1 **COMMISSIONER BROWN:** And that goes to 25.

2 I was going to ask you, Mr. Fletcher, what was
3 the effect of the 2010 marginal determination in the
4 wastewater -- what did the Commission do in that order?

5 **MR. FLETCHER:** There wasn't an ROE adjustment
6 for that marginal finding.

7 **COMMISSIONER BROWN:** And that's really where I
8 was originally. I think the message is clear. I think
9 the utility did -- has heard the concerns, not only from
10 the customer, from the Office of Public Counsel, but
11 also we've heard them. I wasn't really thinking that an
12 ROE adjustment should be made, but if 25 basis points
13 would send the appropriate signals, then I would support
14 that.

15 **CHAIRMAN BRISÉ:** Commissioner Graham.

16 **COMMISSIONER GRAHAM:** I would like to give the
17 utility a -- the ability to speak to this.

18 **MR. McDONNELL:** Thank you.

19 Less there be any misunderstanding, your
20 message is read loud and clear. The president of the
21 company has committed to putting a full-time employee on
22 the premises, which is a difficult decision to come to
23 in light of there aren't a lot of customers. But
24 obviously as a good corporate citizen, recognizing the
25 company's obligation to take care of this serious

1 concern.

2 Hitting them in the ROE is punitive. I don't
3 know that the company has done anything to deserve that
4 sort of punishment. A wake-up call was given and a
5 wake-up call was received.

6 In lieu of dinging ROE here today, I would
7 offer an alternative, kind of along the lines of what
8 Commissioner Balbis said, to put something out in the
9 future and call us in here and address any concerns that
10 were not rectified by the actions that we're going to
11 take here. I would respectfully ask you not to
12 implicate the return on equity of this company.

13 **MR. WALLACE:** If I may make a few comments.

14 One of the things that we try to do is
15 communicate with our customers. Rick will tell you that
16 he has been to Tamiami several times not during a rate
17 case, just a habit. Obviously we need to go more
18 because there is a lack of communication. So one of the
19 things that we will absolutely do is try to go to both
20 places bi-annually and have meetings, and we'll do it
21 when the customers are there.

22 As far as a reduction of the equity, I respect
23 the fact that you believe at Tamiami that our service is
24 not satisfactory. I don't believe there's been anything
25 to suggest that it's not satisfactory at Hudson.

1 The chloride issue is a troubling issue to all
2 of us. We actually met with Bruce Kennedy on Monday,
3 like he said. We addressed every issue, including the
4 elder valve issue. He requested, and I said I would
5 love to do it -- I brought the issue up, by the way, not
6 him. And I asked him to read meters, by the way, not
7 him. It's our largest customer service issue really
8 because they read meters on one day and we read them on
9 another, and so every call that comes in is because of a
10 different date.

11 So he requested and I -- we're going to comply
12 to have a formal letter to both water suppliers for the
13 shutoff, just so you guys know that. It's already been
14 done -- or it's in the works. But to penalize us the
15 amount for the sewer because you're upset with the water
16 seems punitive to me.

17 The second point is, is that we have looked at
18 a full-time employee at Tamiami before. If we go to a
19 local service company, which there are some, the load is
20 about an additional \$50,000. Obviously the employee
21 doesn't cost that much, but by the time you pay for
22 benefit and their profit, if you decrease equity
23 significantly, which even a quarter basis point is
24 significant, the end -- the resulting impact will be,
25 when I add the additional \$50,000, is that we'll be at a

1 loss financially for that utility. It's not a lot of
2 money being made here at these rates. I mean, it's not
3 like we're taking home a big paycheck. So when we make
4 that adjustment, we're going to go into the negative in
5 the water. That's all I have to say.

6 **COMMISSIONER GRAHAM:** Mr. Chairman, if I may,
7 two more quick points here.

8 I'm not quite sure that we're at the point
9 where we have to add a full-time employee, but that is
10 your decision that you have to make. I want to hear
11 from OPC on their thoughts.

12 **MR. REILLY:** Thank you for that. And we did
13 want to respond to this possible solution that they've
14 offered for the quality of service problem.

15 **MS. MERCHANT:** I don't think that a 25% basis
16 point -- or 25 basis point impact will be very material
17 on the revenue requirement for water, but I do know that
18 Florida Utility Group has a contract for maintenance and
19 management fee for the water system, and they currently
20 have in the rate case \$49,642. Of that amount, \$11,716
21 is to deal with leak repairs, road repairs, or other
22 maintenance. So I think that they've clearly got an
23 allowable expense. They don't need to hire a full-time
24 employee. They need to have the people that they
25 already have on contract to be able to handle those

1 cases as they need be, to have somebody on call to be
2 able to -- and if they need to hire somebody local, if
3 there's an emergency, have the means to be able to call
4 somebody and say, hey, get somebody out there. But I
5 think that they've got plenty of expense built into the
6 revenue requirement to handle the contracted needs that
7 they have.

8 **COMMISSIONER GRAHAM:** If I may.

9 **CHAIRMAN BRISÉ:** Sure.

10 **COMMISSIONER GRAHAM:** I don't know where the
11 ROE adjustment should be. I'm not sure if it's even
12 necessary. You know, I can deal -- I could live with a
13 12, 12.5, or zero. But what I would like to see is more
14 of a mechanism, as the company suggested, as
15 Commissioner Balbis had suggested, that they come before
16 staff, maybe in six months, and staff will sit down with
17 OPC, with Ms. Oliveira, and with the company and figure
18 out where we currently are, and maybe you can
19 retroactively move that ROE -- you know, you can, you
20 can go from zero to 12.5. If the, if the, if -- I'm
21 seeing all this shaking heads of no. (Laughter.)

22 Okay. So one of the legal minds tell me what
23 we can't do.

24 **CHAIRMAN BRISÉ:** Mary Anne.

25 **MS. HELTON:** Well, one thing that you could do

1 is, if you're not inclined to adjust the ROE at this
2 point, is to schedule a meeting with the staff, the
3 company, and whatever customers should be present six
4 months, you know, three-quarters of a year, a year, see
5 where they are. Set some clear guidelines where you
6 expect the company to be at that time period. And if
7 they have not met those guidelines or your requirements,
8 then you have a means to bring them in for a show cause
9 proceeding where you can go down that road.

10 I do not believe that you have authority to
11 retroactively change the ROE.

12 **COMMISSIONER GRAHAM:** Well, unless one of my
13 fellow Commissioners have an issue with that, I think
14 maybe that's the path we need to go down.

15 **CHAIRMAN BRISÉ:** Commissioner Balbis.

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

17 And I think I like these discussions that are
18 coming up with maybe creative solutions. And I want to
19 follow up on something that the company said, and you
20 indicated that the cost of an additional employee plus
21 the impact of an ROE reduction, that it would, you know,
22 result in a loss.

23 My question is I'm not sure if an additional
24 employee is overkill or not. You know, I think it would
25 definitely solve the problem or make it easier for you

1 to solve the problem. You know, my concern is your
2 previous statement that the cost of an additional
3 employee and you're going to be back in here in two
4 years. I would be comfortable with, if you're committed
5 to bear the cost of this additional employee which I
6 think will address these issues, then I don't think
7 having that in addition with an ROE adjustment is
8 appropriate. I think that that would solve the problem.

9 So, you know, if we can have an additional, at
10 least myself, if you can commit to bear the cost of the
11 additional employee, handle these issues, then I think
12 the message is sent. You're taking action and I'm
13 comfortable without adjusting the ROE.

14 **MR. WALLACE:** Obviously we will try to address
15 the issue in a more cost-effective manner. When we
16 looked for a local person before, \$30,000 wouldn't --
17 was not even close to what they were going to charge us.
18 So if we just let go of our main contractor and just had
19 him do billing and we went to a local, I could probably
20 split the difference in that 50. Okay? But now from a
21 management perspective I've got two people that I'm
22 trying to manage as opposed to one.

23 But we'll look at every alternative. The
24 issue obviously is a timing issue with the boil water
25 notices. It's not a whether or not we're willing to do

1 it. It is, gee, is the right people in place on the
2 ground, which was news to me, by the way. I had not
3 heard that before from anybody that we had someone that
4 wouldn't respond. That in itself is enough for me to
5 take action. I don't need a monetary hit for that. It
6 was the first I've heard of it that minute.

7 But as a management person, I only know how to
8 take action strongly. So when something you have is not
9 working, you've got to change it. And the only way I
10 know to change it is to go to a local person, and it
11 will cost more. I'm happy to share that with the
12 Commission and I'm happy to bear it until the time comes
13 to come back. We try to come back on a regular basis
14 for the simple reason we don't want rate shock. I don't
15 think we asked for a lot of increase here, if you
16 noticed. It was less than 20%.

17 And so, yeah, we absolutely will bear it in
18 the meantime, and we'll look and see because of that if
19 we can find a more cost-effective answer.

20 **COMMISSIONER BALBIS:** Okay. And,
21 Commissioners, you know, I think that alleviates my
22 concerns, him committing to bear that cost as long as
23 possible. I think that will solve the problem. I would
24 like to see coordination with staff on, on how these
25 problems have been hopefully resolved or improved on

1 that.

2 **CHAIRMAN BRISÉ:** Commissioner Edgar.

3 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

4 And I guess I may be coming at it from slightly a
5 different angle, if I may.

6 First a question to staff. What is the ROE
7 that the company is currently authorized to earn based
8 upon, I assume, the leverage formula as it was at the
9 time of the last rate case before us?

10 **MR. FLETCHER:** Commissioner Edgar, I believe
11 that was 8.82%. Bear with me. I'm sorry. That was
12 9 -- according to their -- yes, it was 8.82% that was in
13 their last rate case.

14 **COMMISSIONER EDGAR:** Thank you.

15 From my own perspective, I, of course, agree
16 with much of the discussion and comment. I agree
17 completely that most aspects of quality of service and
18 customer service are within the control of the utility
19 and it is something that we need to take into account as
20 we look at those areas where we have discretion in
21 ratemaking.

22 As to whether a full-time employee is, is
23 needed, from my perspective that's a little more
24 micromanaging than I am comfortable with us doing in our
25 role. I am also not convinced that, from what I've

1 heard or from the information that we have, that that
2 would necessarily address the, the issues.

3 I heard the representative of the companies
4 and I am convinced that they are going to take a very
5 good look at these issues and try to see what other
6 approaches may be used and utilized, especially by
7 virtue of the fact that this issue has been so
8 highlighted and has been of such great concern.

9 I also recognize from my own perspective that
10 the fact that in the Tamiami service area is generally
11 an elderly population and some special needs, that that
12 also requires some additional good corporate service and
13 citizenship, and I've heard the commitment here today
14 for that to take place.

15 Now as -- we voted on Issue 1 as to quality of
16 service of marginal, which I think was a little extreme,
17 but I also recognize that there isn't really anything
18 within our ability between marginal and satisfactory and
19 that it was to highlight those issues that we've
20 discussed. But since we made that decision I do believe
21 that there should be something that goes along with
22 that. So I think it's a very small amount, but I would
23 suggest a, a reduction in the authorized ROE as proposed
24 before us today of .12, and I'm just rounding rather
25 than .125. For my math, that takes it to 9.3, which is

1 still significantly higher than what is currently being
2 earned and authorized. And I do believe that if we're
3 going to make a finding of marginal, that there needs to
4 be something additional that goes along with that.

5 **MR. FLETCHER:** If I could make a
6 clarification, that would only apply for the water
7 system based on the Commission's decision of marginal.
8 It would remain as, on page 51 for the wastewater
9 system, of 7.84 overall cost of capital and the 8 --
10 9.42 for the ROE, and it would just be in effect on the
11 water. Okay.

12 **CHAIRMAN BRISÉ:** Commissioner Graham.

13 **COMMISSIONER GRAHAM:** Thank you, Commissioner
14 Edgar. I, I agree and I will second that motion. But I
15 would like to add a friendly amendment to that, which
16 was for them to have to come back before staff in a
17 nine-month period of time to, to see where we are as far
18 as customer service goes.

19 And this comes to the legal side of it: Is it
20 possible for staff to get rid of that .12 penalty at
21 that time if things are sufficient?

22 **MS. HELTON:** May I talk to Mr. Willis for one
23 minute?

24 (Pause.)

25 I think you could make it conditional that

1 after the meeting, you know, the nine-month period of
2 time then we would come back to you. And I think it
3 would be better for you to make the decision with
4 respect to whether there would be a -- you know, bring
5 it back to, to 100%.

6 **COMMISSIONER GRAHAM:** I'll make that motion.

7 **CHAIRMAN BRISÉ:** Commissioner Brown.

8 **COMMISSIONER BROWN:** Thank you. And I have a
9 friendly amendment to your friendly amendment, and that
10 would be to make that a six-month period, and in that
11 time period also have the utility meet with the
12 customers, and I think that's the most important thing,
13 prior to the meeting with the staff so that they can
14 resolve some of the outstanding issues.

15 But, Mr. Willis, what is the monetary effect
16 of that ROE adjustment?

17 **MR. WILLIS:** That's what I wanted to let the
18 Commission know. The effect of this is only \$246
19 annually you're talking about. So I'm not sure you want
20 to go through all that trouble is what I'm trying to let
21 you know. For \$246 is it really worth the effort to go
22 through all that?

23 **CHAIRMAN BRISÉ:** Commissioner Edgar.

24 **COMMISSIONER EDGAR:** For clarification, Mr.
25 Chairman, first of all, I did not make a motion.

1 **CHAIRMAN BRISÉ:** Right. We're not there yet.

2 **COMMISSIONER EDGAR:** Which has now been
3 amended twice, but I have not. But if -- but now I
4 will.

5 I move that on Issue 7 that we, based on the
6 Commission leverage formula currently in effect and on
7 our vote on Issue 1, that we approve an ROE of 9.3 with
8 a range of plus or minus 100 basis points, and we direct
9 our staff to meet with the utility and OPC in
10 approximately six months to review any pertinent issues.
11 And if there's something that, that needs to come
12 forward to us, that we ask our staff to do that.

13 **COMMISSIONER BALBIS:** Second.

14 **CHAIRMAN BRISÉ:** Okay. It's been moved and
15 seconded.

16 Commissioner Graham.

17 **COMMISSIONER GRAHAM:** I guess my first
18 question is is six months enough time? And I guess that
19 question goes to both, to the utility and OPC. Because
20 I don't know if six months is going to be enough time to
21 make some determinations that -- we're talking about
22 righting the ship. If that's enough time to show that
23 they've actually tried to right the ship.

24 **MR. McDONNELL:** We are ready, willing, and
25 able to get started tomorrow. I would not mind you

1 holding us to that six months and holding all parties to
2 that six months. Let's, let's get it done. This issue
3 is serious enough that these guys need to get it done,
4 and they know that.

5 **COMMISSIONER GRAHAM:** Okay. Well, then I'm
6 fine with the motion the way it's written.

7 **MR. FLETCHER:** If I could have a clarification
8 of that motion. Again, that was just for water. That
9 would be a 9.3 ROE for water, and wastewater for
10 purposes of that, it would still remain at the 9.42?

11 **COMMISSIONER EDGAR:** Yes.

12 **CHAIRMAN BRISÉ:** All right. It's been moved
13 and seconded. We've had ample discussion on this item.
14 All in favor, say aye.

15 (Vote taken.)

16 All right. Thank you very much.
17 Before we move on to the next item I want to make sure
18 our court reporter gets a little bit of a break. We'll
19 do -- we'll give five minutes, and we will reconvene in
20 five minutes.

21 (Recess taken.)

22 Okay. We finished with Item Number 7. Now we
23 are on -- issue rather, issue number -- we finished with
24 Issue Number 7. We are on Issue 8. I don't know if we
25 want to take up Issue 8, 9, and 10 together.

1 Commissioner Graham.

2 **COMMISSIONER GRAHAM:** Move staff
3 recommendation on Issue 8, 9, and 10.

4 **COMMISSIONER BALBIS:** Second.

5 **CHAIRMAN BRISÉ:** Okay. It's been moved and
6 seconded. Any further comments or discussions on Issues
7 8, 9, and 10?

8 Seeing none, all in favor, say aye.

9 (Vote taken.)

10 All right. Thank you very much. Moving on to
11 Issue Number 11.

12 **MR. FLETCHER:** Issue 11 is staff's
13 recommendation regarding the utility's appropriate
14 allocated parent overhead cost.

15 **CHAIRMAN BRISÉ:** All right. Thank you. I
16 know OPC had some issues that they wanted to bring up,
17 so you may go ahead and do that at this time.

18 **MR. REILLY:** Very briefly, I think our posture
19 in Issue 11 is pretty much in a support role of the
20 disallowances and adjustments that staff made of the
21 company's allocated parent overhead expenses.

22 I would offer this one general comment, and
23 this is actual testimony that was made at the Pasco
24 County customer meeting, but it's the customer's view
25 that the basic problem that is driving these higher and

1 higher overhead charges that the company seems to be
2 asking is that in our judgment Ni Florida paid too much
3 for some of these systems. That basically they paid
4 twice rate base for the Pasco County wastewater system,
5 paid \$5.6 million for a wastewater system with a
6 \$2.4 million rate base, leaving \$3.2 million of stranded
7 investment without any return.

8 Ni Florida paid \$745,000 for its water system
9 that serves the Tamiami Village Community, a water
10 system that had only a rate base of \$66,800. So you go
11 in paying 11.5 times rate base and it just creates a
12 problem of stranded, you know, investment that you're
13 not earning a return on and it drives the company to
14 seek increasingly -- some way to get some kind of
15 allocated parent overhead as a way of offsetting their
16 inability to earn a return on a significant amount of
17 their investment. This was an opinion that was formally
18 stated by the Pasco County Commissioner Jack Mariano at
19 the customer meeting there.

20 So, you know, we do support staff. I think we
21 will wait and get the criticism from the company. But I
22 think Ms. Merchant has some specific arguments
23 supporting staff's adjustments when, when the time is
24 right.

25 **CHAIRMAN BRISÉ:** Okay.

1 **MR. REILLY:** We would wait probably for the
2 company to address this.

3 **CHAIRMAN BRISÉ:** Thank you.

4 Mr. McDonnell.

5 **MR. McDONNELL:** Thank you, Mr. Chair.

6 We are not critical of staff, but we do see a
7 couple of things differently than staff sees them. In
8 response to Mr. Reilly, if we paid more than rate base,
9 I mean, that would only implicate a customer's rates if
10 we came in with an acquisition adjustment. And this
11 company has never been before this Commission for an
12 acquisition adjustment.

13 The two issues that we would like to address
14 to the Commission are the equity sponsor fee and the
15 corporate salary issue, both on page 23 of my copy.
16 Staff made a recommendation to reduce the corporate
17 salaries to an AWWA level and also to deny an equity
18 sponsor fee.

19 Mr. Benny Wilkinson is here to address those
20 two issues. But before he does, I would like to quickly
21 say that the AWWA salaries -- you've adjusted corporate
22 salaries before and there's a footnote in the cases to
23 which you did that, but those cases, all but one, were
24 staff assisted and I think the most number of customers
25 was approximately 400. Colloquially (phonetic) those

1 were mom and pops. And this company has 42,000 ERCs
2 with serious investors that are relying on the
3 corporation to be effectively run professionally. And I
4 don't necessarily agree that comparing what a mom and
5 pop has to pay to what a major corporation has to pay is
6 (inaudible.)

7 And my last note would be most of the ERCs in
8 this company are out-of-state and they've only allocated
9 a portion of those corporate salaries to Florida, and we
10 would just request to be heard on the two issues of the
11 equity sponsor fee and the corporate salaries.

12 Mr. Wilkinson would like to address the
13 Commission, if he could.

14 **CHAIRMAN BRISÉ:** Sure. Go ahead,
15 Mr. Wilkinson.

16 **MR. WILKINSON:** Good morning. The sponsor fee
17 that we talk about, in prior cases we kind of
18 categorized that as a, a sponsor fee. But going along
19 with that cost, we have two directors that are provided
20 by our equity sponsor. Our outside directors are paid
21 an average of \$81,000. So we feel like that the
22 \$315,000 that we pay for this fee, included or imputed
23 in that amount is the cost for two directors. So I
24 would, I would ask that the Commission consider two
25 directors at \$81,000 as being a part of that fee as

1 opposed to just throwing out the entire thing. It's
2 kind of recategorizing, you know, what that fee is
3 really for. Okay?

4 The second issue on the AWWA compensation
5 survey, the amount of payroll and benefits that's
6 allocated to Florida is approximately \$33,000 for
7 Tamiami water and \$126,000 for Hudson wastewater. It's
8 an amount that if you looked at this on a standalone
9 basis -- in other words, if this was a locally owned and
10 managed company, how much corporate oversight or
11 management would you have to have in place for that
12 level of allocation to cover? And so we feel that while
13 we're big in some respects, having \$42,000 and operate
14 in multi-jurisdictions, multi-states, that this is not
15 an exorbitant amount to have allocated when you compare
16 that to this standalone company.

17 That's all I have.

18 **CHAIRMAN BRISÉ:** All right. Thank you.

19 Commissioners. Commissioners, any questions
20 or comments?

21 Commissioner Brown.

22 **COMMISSIONER BROWN:** Thank you. I guess, Mr.
23 Fletcher, is this your issue?

24 **MR. FLETCHER:** Yes, Commissioner.

25 **COMMISSIONER BROWN:** That table that you have,

1 11-1 on page 24.

2 **MR. FLETCHER:** Yes, Commissioner.

3 **COMMISSIONER BROWN:** To get a better
4 understanding, and I know that we've relied on that and
5 we've disallowed certain salaries based on previous AWWA
6 analysis, but these position titles, have you reviewed
7 the different descriptions that the utility submitted
8 along with the descriptions listed in the AWWA?

9 **MR. FLETCHER:** I have, and I have actually
10 prepared a table of that, a side-by-side comparison.
11 Would you like me to hand that out?

12 **COMMISSIONER BROWN:** Sure.

13 **MR. FLETCHER:** Okay.

14 **COMMISSIONER BROWN:** Are they akin to, are the
15 tasks and duties and responsibilities akin to those in
16 comparison in general?

17 **MR. FLETCHER:** I believe they are in the
18 side-by-side comparative analysis, yes.

19 **COMMISSIONER BROWN:** What about the size of
20 the utility that you analyzed?

21 **MR. FLETCHER:** The size of the utility, we --
22 the Commission recently dealt with this in a similar
23 type company that's a multistate jurisdiction. It was
24 Pluris Wedgefield back, I think, in May when the
25 Commission decided on that. They're very comparable

1 with this utility as far as the multistate. I think
2 they have about 26,000 ERCs. So it is a little bit
3 less, but they're, they are comparable. And the
4 Commission did decide to use, at least for Class A and
5 B, to use the maximum range on that study as a limiting
6 factor which would be appropriate for ratepayers to
7 bear.

8 **COMMISSIONER BROWN:** Does the utilities, what
9 they submitted to the Commission, did that include any
10 bonuses in their compensation package?

11 **MR. FLETCHER:** It didn't have any bonuses.
12 That was a straight salary.

13 **COMMISSIONER BROWN:** Is that correct?

14 **MR. WILKINSON:** That's correct.

15 **MR. McDONNELL:** That's correct. Also,
16 Commissioner Brown, the Pluris Wedgefield, according to
17 your order, yes, they are multistate, but their total
18 equivalent dwelling units or the EDU ERCs is 16,500, not
19 26,000 according to your --

20 **COMMISSIONER BROWN:** 16,500.

21 **MR. McDONNELL:** Not -- according to your
22 order, and we're at about 42,000.

23 **MR. FLETCHER:** It's 16. I said 26. It's 16.
24 I apologize.

25 **COMMISSIONER BROWN:** Okay. Thank you for that

1 clarification.

2 Just changing gears a little bit, I know
3 you've touched on the equity sponsorship fee. I just
4 kind of want to get a little bit more understanding why
5 you think it's appropriate to include in rate base
6 recovery. I know you said it's analogous to a board of
7 director fee for two individuals.

8 Would you further provide the benefits that
9 this equity --

10 **MR. WILKINSON:** I think it's more of the way
11 it's spoken of as an equity sponsor fee, what do you get
12 for that price?

13 **COMMISSIONER BROWN:** Is your mike on?

14 **MR. WILKINSON:** Yes, it is.

15 **COMMISSIONER BROWN:** Okay.

16 **MR. WILKINSON:** Is what do you get for that
17 cost? And to the extent that we get two directors, even
18 though they aren't compensated directly, it's kind of an
19 imputed value that we get those two directors for that
20 amount of money that we're paying.

21 So all I'm asking is that that portion of that
22 total fee be considered as a board of director fee,
23 which is generally included in cost of service.

24 **COMMISSIONER BROWN:** Okay. Changing gears to
25 your DOL insurance, which I've kind of always had an

1 issue with in general, I'd like to hear from you, the
2 utility, about what direct benefit you see the
3 ratepayers getting from having the DOL insurance, DOL
4 insurance in rate base. The staff has recommended a
5 50/50 split, which is what we have found -- Commission
6 practice has found that. And I just want to know is
7 there any tangible direct benefit that you foresee the
8 ratepayers having with DOL?

9 **MR. McDONNELL:** Mr. Wallace would like to
10 address your question, Commissioner Brown.

11 **MR. WALLACE:** As a director, I think it's, it
12 is very difficult for a utility to get competent
13 directors to serve on a board if they don't believe that
14 it's a risk-free assignment for them.

15 Now some would argue that they should have
16 risk, that they should be held responsible for their
17 decisions. I understand that because as the general
18 partner I'm totally held. But the flip side of it is,
19 is that every one of our directors are also investors
20 and they're at total risk for their investment. So it's
21 not that they're risk free.

22 But in this modern environment of lawsuits for
23 almost anything, to get a competent person to do it,
24 it's very difficult not to have that -- in fact, it's
25 impossible, it's not difficult -- to have that

1 insurance.

2 I think that the Commission and our ratepayers
3 get tremendous benefit from these two directors, and
4 they're involved in every major decision, much to my
5 unhappiness lots of times. I mean, they are involved in
6 everything we do, and their input, more times than not,
7 is one that is followed. On top of that, it allows us
8 to reduce our costs from a debt standpoint, they have
9 cheaper sources of capital, and they allow us, through
10 their leadership, to go out and get really things that I
11 on my own could not get.

12 So the fact that we have the insurance and we
13 have the sponsors and we have the good directors I think
14 flows through all the way to the customer in a, in a
15 reduced cost of service.

16 One of the things that concerns me in total
17 about the allocation of the overhead is that we have
18 been proactive in including every new acquisition, even
19 sometimes when we're not closing them, to keep the
20 percentage to Florida as small as possible. We do the
21 same thing for Texas; it's even smaller. And so from
22 our perspective something like the AWWA survey, I
23 embrace the survey, but I think it should be applied to
24 how it relates to the customers who are being served.

25 So in our situation a CEO of a mom and pop

1 gets to run through \$123,000. Well, we have \$150,000
2 charged to Florida in total, and yet we're saying, no,
3 we're being charged too much. Well, that seems like an
4 unfair competitive advantage to me. Okay?

5 And the same with the directors. If you don't
6 have direct owner directors, which some mom and pops
7 don't have insurance because they're the owners; right?
8 You have -- and I buy these companies, so I know them
9 intimately. They're the mother, the daughter, the --
10 okay? So their risk is the whole company. But if you
11 take an outside director with experience, which ours all
12 do, in the utility industry, they have to have the
13 assurance that they're not going to get hit with a
14 frivolous lawsuit and lose their own investment or more.

15 **COMMISSIONER BROWN:** I have to say that could
16 be the best answer I've ever heard during my term, and
17 that's pretty reasonable. So I appreciate you providing
18 me with that, and I think that's reasonable enough.

19 **MR. WALLACE:** Thank you.

20 **COMMISSIONER BROWN:** Thank you.

21 **CHAIRMAN BRISÉ:** Commissioner Balbis.

22 **COMMISSIONER BALBIS:** Thank you.

23 I have a quick question, and it's concerning
24 the number of ERCs and what is comparable as it pertains
25 to the AWWA survey. And my -- the fundamental problem I

1 have with the utility's answer is I always thought that
2 customers receive a benefit of having a large company,
3 and yet you're saying that customers should pay more
4 because they have a large company, and that, that just
5 doesn't sit well with me. So why should customers pay
6 more if they're owned by a parent -- you know, a larger
7 parent company owns their system?

8 **MR. WILKINSON:** I think that the effect that
9 as, as the -- as our company has grown, we have
10 allocated on a per customer basis less and less to each
11 customer. In other words, through a, through a shared
12 services business model we're able to serve multiple
13 companies and allocate a piece of salaries and rent
14 expense and benefits and so forth like that, D&O
15 insurance and so forth, so that as the company grows
16 larger and larger, to the extent that your corporate
17 overhead costs are remaining the same, then each
18 customer would get a smaller amount -- or a less amount
19 would be allocated to each company in total.

20 **COMMISSIONER BALBIS:** Okay. Well, I find that
21 the AWWA survey and the fact that we're using the
22 maximum limit is consistent with what we've done in the
23 past. I think it's very appropriate the adjustments
24 that staff has made in this case or in this issue.

25 **CHAIRMAN BRISÉ:** Did OPC want to add something

1 else?

2 **MS. MERCHANT:** I've just got a couple of
3 factors. I've taken their total allocated costs by the
4 revenue requirement that they've asked for, and for the
5 water system the, the administrative allocated costs are
6 27% of the revenue requirement. That's the company's
7 request. And when you take it down to the staff's
8 recommended level, it's 16%. So there's still a
9 substantial percentage of -- considering that they are a
10 pass-through entity, both of them don't have treatment
11 plant. For the wastewater it's 15%, and then staff's
12 has taken it down to 7.83%.

13 And to Mr. Wilkinson's comment a few minutes
14 ago that they're spreading their total allocated costs
15 over more ERCs now, in the last Ni water rate case they
16 had \$2.8 million of affiliate costs. In this current
17 rate case they have 3.3. So not only -- the costs have
18 gone up dramatically too -- well, they've gone up in two
19 and a half years. So I just wanted to point those out.

20 We do believe -- we could find other areas
21 where we would disagree with staff, but we think the
22 staff has done a great job in this recommendation and we
23 do support those numbers.

24 **CHAIRMAN BRISÉ:** Thank you.

25 Commissioner Edgar.

1 **COMMISSIONER EDGAR:** I'd move staff on Issue
2 11.

3 **COMMISSIONER BROWN:** Second.

4 **CHAIRMAN BRISÉ:** Okay. It's been moved and
5 seconded. Any further comments?

6 Seeing none, all in favor, say aye.

7 (Vote taken.)

8 Okay. Thank you. Moving on to Issue Number
9 12.

10 **MR. FLETCHER:** Commissioners, Issue 12 is
11 staff's recommendation regarding the appropriate rate
12 case expense for the instant case.

13 **CHAIRMAN BRISÉ:** Thank you.

14 Okay. OPC, you mentioned that there were some
15 issues that you wanted to bring up.

16 **MS. MERCHANT:** Commissioners, the only issue
17 that we have regarding rate case expense is the amount
18 of support that the company has provided for the
19 accounting fees. They essentially gave the staff --
20 staff sent a letter out and said, "Please give us the
21 details supporting all your fees, show us the hours
22 worked, the work performed," which is a standard request
23 that they go through in every rate case.

24 The company responded with three invoices.
25 The first two were fixed fee services provided for the

1 rate case, and then the next -- the last invoice for
2 accounting fees was for responding to customer
3 complaints, and they had some hours and they had -- I
4 mean, excuse me, responses to the audit, but they don't
5 have any more detailed description than that.

6 And I wanted to point out to the Commission in
7 the last Ni wastewater rate case the same accounting
8 consultant prepared the accounting MFRs, staff asked the
9 same questions, and staff disallowed the cost. The
10 company essentially provided the same level of detail
11 and the staff made an adjustment to reduce those rate
12 case expenses because they weren't justified, they
13 weren't supported.

14 And we would recommend -- in this case
15 obviously they did prepare the MFRs and there were some
16 deficiencies because I've got a bunch of staples all
17 throughout my MFR application. There's been no
18 reduction for that. But we think that the accounting
19 fees should be cut in half to \$40,000, which is, you
20 know, a rather reasonable amount for a rate case,
21 especially since they haven't provided any support other
22 than an invoice.

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

24 Commissioner Brown.

25 **COMMISSIONER BROWN:** Mr. Fletcher, can you

1 please go over that category, the accounting fees?
2 Because we talked about in my briefing, and there was
3 some concern there, from the last rate case they
4 identified, they were called accounting/consulting fees
5 and they were 91,000, right -- 90,000 from the last rate
6 case, but that included engineering costs as well.

7 **MR. FLETCHER:** That is correct. It would have
8 been better to say nonutility consultants there because
9 tangible -- the one that does most of the MFRs and the
10 accounting, they also do the engineering schedules in
11 the MFRs, as well as answer engineering data requests.
12 So it would have been definitely better to have labeled
13 that as nonlegal consultants.

14 **COMMISSIONER BROWN:** So what would the
15 percentage be in terms of accounting versus -- from the
16 documentation that you received in this recommendation,
17 what's the, the amount allocated to engineering versus
18 accounting?

19 **MR. FLETCHER:** We couldn't quantify that
20 because it is -- the first couple of invoices that came
21 in, it was a lump sum for a specific scope of duties,
22 and the utility could correct me if I'm wrong. And then
23 once they met that scope of duties, there was
24 additional, outside their verbal agreement additional
25 tasks that they were having to respond to than they

1 originally agreed in that lump sum fee, and that gave
2 rise to, I believe, the additional 11,000.

3 **COMMISSIONER BROWN:** Before we ask them to
4 confirm that, can you respond to OPC's concerns?

5 **MR. FLETCHER:** Yes. It was actually in the
6 wastewater case is where we made a slight adjustment to
7 tangible, the nonlegal consultant where we didn't think
8 it was clear. In this one we have justification that it
9 was a specific scope of duties related to invoices, and
10 it was unclear last time is one of the reasons why we
11 made that adjustment. There was no adjustment to their
12 fees in the 2010 water case. It was sufficient
13 information since then, we believe it's sufficient now,
14 in light of the nonlegal consulting fees in the water
15 and wastewater cases that amounted to 90,000. In this
16 case they were requesting 81. So we believe overall the
17 amount is reasonable and supported.

18 **MR. McDONNELL:** May I be heard?

19 **CHAIRMAN BRISÉ:** Sure.

20 **MR. McDONNELL:** I would like to echo what
21 staff just said. I don't think it's fair to look at
22 what the accounting and engineering fees were in one
23 previous case because we had two previous cases, one for
24 each system, which would be the equivalent of what we
25 combined in this case because we had MFRs for two

1 systems and accounting and engineering costs for two
2 systems.

3 When the company individually had its rate
4 cases, the combined accounting and engineering was
5 \$181,000 in total rate case expense approved by the
6 Commission.

7 We are at 149 in this combined hearing because
8 the company prudently pooled its assets basically. The
9 accounting and engineering previously approved by the
10 Commission in those two separate I'm combining to be
11 \$90,523, and here staff's recommending \$81,000.

12 Our legal fees are 34% less than in the
13 combined proceeding, the accounting fees are less, and
14 the total overall rate case expense is \$30,000 less.

15 **COMMISSIONER BROWN:** Thank you. I move staff
16 recommendation on this item.

17 **COMMISSIONER BALBIS:** Second.

18 **CHAIRMAN BRISÉ:** Okay. It's been moved and
19 seconded. Any further comments or discussions?

20 Seeing none, all in favor, say aye.

21 (Vote taken.)

22 Thank you very much. Now we're moving on to
23 Issue Number 13.

24 **MR. FLETCHER:** Issue 13 is staff's
25 recommendation regarding the appropriate bad debt

1 expense level for the utility's water and wastewater
2 systems.

3 **CHAIRMAN BRISÉ:** All right.

4 **MS. MERCHANT:** Commissioners, we've had a lot
5 of discussion today about elder valves, something I
6 didn't know about before I started working on this case.
7 So I had quite an education. But one of the things --
8 the Commission staff is recommending increasing the bad
9 debt expense. They've already installed several elder
10 valves in '11 and '12, 2011 and '12. They're hopefully
11 going to work out an agreement with the two water
12 providers to have a timely shutoff system for the
13 wastewater at a lesser expense to the company.

14 Staff's recommendation of 75,000 and change
15 for bad debt expense is the highest that it's ever been.
16 The Commission has got a long-standing practice of
17 three-year average. Sometimes they've pulled out the
18 outlier and used the two-year average.

19 I, I -- we recognize that expense has been
20 high, but they've got -- we've got a lot of things in
21 the works to help reduce it.

22 And I -- the company asked for 1.75% of total
23 revenues, and staff increased it to the 4.2%. But one
24 of the things that I noted earlier in the conversation
25 that the company has reduced their bad debt for 45 elder

1 valves -- their customers that had elder valves, 45 of
2 them paid all their bills in full, and I don't see that
3 that has been a reduction made to the bad debt expense.

4 So if you do have an elder valve and the
5 customer pays it, then it's not a bad debt. It's a past
6 due amount, but it's not a bad debt expense. So if you
7 put the elder valves in rate base and you increase the
8 bad debt expense to the, to the peak, you're essentially
9 telling the other ratepayers that they have to pay for
10 this when hopefully bad debt expense will be going down
11 in the near future. And that's our argument.

12 There's several ways that you could adjust it
13 if you were so inclined. You could take the three-year
14 average, which almost every rate case they use a
15 three-year average, which would put it about \$50,000
16 instead of 75,000.

17 So that's Public Counsel's position is that on
18 a going-forward basis that we would have a reduction;
19 hopefully we'll have a substantial reduction in the bad
20 debt expense incurred.

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

22 Ni Florida, would you like to respond?

23 **MR. WILKINSON:** Yes. Part of the issue that
24 we have is that we do have a lot of renters that come
25 and go. We don't have the ability to put a lien on a

1 property in that kind of a situation. We've also been
2 told of something that was kind of new to us as far as
3 squatters, people that move into a vacant house and have
4 that service. And, of course, they're, you know, among
5 the, the higher uncollectible accounts that we have.

6 In the rate case we did make an adjustment to
7 reduce our revenue for some of these renters that have
8 moved out and left that balance, we reduced our
9 revenue -- or we reduced our bad debt expense and our
10 revenue by 27,000, and that's one of the adjustments
11 that staff has made to reverse that. So that had the
12 effect of putting that back into bad debt expense. So
13 that's part of the increase that, that we see there.

14 Overall the recommendation is to, for us not
15 to install elder valves for collection and charge that
16 to the, to the customer any longer. So our only charge
17 for a reconnection is the \$27. We feel like the, the
18 staff's recommendation is fair as far as the level that
19 they've granted us with all those things considered.

20 **CHAIRMAN BRISÉ:** All right. Thank you. Thank
21 you.

22 Commissioners, any thoughts, comments?

23 Commissioner Balbis.

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

25 And I disagree with the Office of Public

1 Counsel or misunderstood the Office of Public Counsel in
2 that staff clearly made an adjustment to bad debt
3 expense for the elder valves, the \$560 and then the
4 \$444, and I believe that staff has provided adequate
5 justification on why to use the adjusted test year
6 methodology instead of the three-year average for
7 wastewater. So based on that fact, I'm supportive of
8 staff's recommendation on this issue.

9 **COMMISSIONER GRAHAM:** Is that a motion?

10 **CHAIRMAN BRISÉ:** Okay. Any further comments?
11 If not, I think we're in the posture to entertain a
12 motion.

13 **COMMISSIONER BALBIS:** Mr. Chairman, I'd move
14 staff's recommendation on Issue 13.

15 **COMMISSIONER GRAHAM:** Second.

16 **CHAIRMAN BRISÉ:** Okay. It's been moved and
17 seconded. Any further comments? Seeing none, all in
18 favor, say aye.

19 (Vote taken.)

20 All right. Thank you very much.

21 Moving on to Issue 14.

22 **MR. FLETCHER:** Commissioners, Issue 14 is
23 staff's recommendation regarding the utility's requested
24 pro forma expense items.

25 **CHAIRMAN BRISÉ:** All right. Thank you.

1 OPC.

2 **MS. MERCHANT:** The only comment that we have
3 on that issue is that the staff auditors made a
4 reduction to the purchased wastewater treatment expense,
5 and the company came back and responded that if you take
6 the, the rate that was in effect last year and apply
7 that to the year after the test year, you would get a
8 higher expense than what they asked for. But instead
9 staff annualized it slightly differently and came up
10 with another amount.

11 I went through and did another calculation to
12 use the rate that's in effect today that's October 2013,
13 which is going to be the rate for the next year, and
14 multiplied that times the gallons of wastewater treated
15 for the test year. It came up to about the same number
16 that staff has come up with in their recommendation.
17 And what we would propose is that the company not be
18 able to come in and get a pass-through in the future for
19 the 2013 rate, and that's the only adjustment that we
20 would like. But this case already considers the 2013
21 purchased wastewater treatment expense.

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

23 Commissioners?

24 Commissioner Balbis.

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

1 I just have a question for the utility on this
2 issue, and give you an opportunity to speak as to, on
3 staff's recommendation on their adjustments, if you
4 would like.

5 **MR. WILKINSON:** As far as the different areas
6 that are included in that, the only thing that we I
7 think really want to address is the online bill payment
8 system. We began offering that last year as an improved
9 level of service to our customers. I do understand the,
10 the economics of only charging the person a fee that
11 actually caused that, that cost to be incurred. We kind
12 of look at it as headed into the future and improved
13 technology to, for us to make use of that. And since we
14 prepared the, the rate filing, we have -- our experience
15 has been less than our estimate that we put into the
16 rate filing for this. One of the pages that I believe
17 was passed out --

18 **MR. McDONNELL:** No, that didn't get passed
19 out. You can refer to it.

20 **MR. WILKINSON:** Oh, it didn't get passed out.
21 Okay. But basically what we have is about a thousand
22 dollars a month for the cost of providing this online
23 bill payment service. So we would ask that the
24 Commission, Commissioners consider a level of
25 approximately \$12,000 for offering this service to our

1 customers. We would certainly hate to, to take a step
2 back in doing this. We initially implemented it, I'll
3 say at our expense just because it wasn't in rates, and
4 we would hope that you would agree to continue that
5 level of service going forward as opposed to taking it
6 away from them.

7 **COMMISSIONER BALBIS:** Okay. Thank you. And
8 as far as the line cleaning program, if you could touch
9 on that a little bit, because staff has made some
10 adjustments to that and I know it's an ongoing issue.

11 **MR. WALLACE:** Oh, yes. Again, we're having a
12 little bit of a regulatory lag here, not in a bad way.
13 But when we filed the rate case -- let me take a step
14 back and give you a little history.

15 So when we originally signed the agreement
16 with Pasco County, we agreed upon a five-year review of
17 the underground cleaning and its entire system. Okay?
18 And obviously the first system that we -- the first
19 piece of the system that we looked at was that piece
20 that was, went into Delmar, which is the problem. And
21 so we instantly went in there and reduced the chloride
22 levels down to an acceptable level. So we -- over the
23 last three years, and you had a question earlier as to
24 why it was reduced, is we went to the other four areas
25 and they weren't as bad and we ended up not having as

1 many repairs.

2 Well, in the meantime though we live on, on
3 the ocean and every storm knocks a line out. And so
4 what happened is, is that we had new breaks that we did
5 not, that were not there four years ago that are there
6 today, which was really the result of us having to sit
7 down with Pasco County and come up with a different
8 routine to check that regularly.

9 So the \$100,000 was what we anticipated to
10 spend during the next, during the time period between
11 now and this case was going on on what would have been
12 just camera-ing -- that's hard to say -- just doing
13 underground work on the system, cleaning, camera-ing,
14 which is totally an expense. Well, as it turned out, we
15 spent more than a hundred but not on underground work.
16 It would just, would be called maintenance. We actually
17 spent it fixing the system. So we, we totally agree
18 with their adjustment and it was just a change of what
19 we believed what was going to happen.

20 **COMMISSIONER BALBIS:** Okay. Thank you. And
21 that last point I'm glad you made because that was one
22 of the concerns that I had is that, you know, we're
23 making an adjustment and you're not going to have the
24 dollars that are needed to improve the system. And I
25 think that's one of the challenges that we have with the

1 statutory framework and the rules that we have is that
2 there isn't a five-year capital improvement program that
3 we approve. That way you can avoid coming in here all
4 the time and hopefully that'll be addressed sometime in
5 the future, and I don't know if it will. But if you do
6 not have any issues with staff's adjustment on that,
7 then, then that alleviates my concerns on the line
8 cleaning program aspect of this issue.

9 **CHAIRMAN BRISÉ:** All right. Any further
10 comments or questions on Issue 14?

11 Okay. We're ready to entertain a motion.
12 Commissioner Graham.

13 **COMMISSIONER GRAHAM:** I move staff
14 recommendation on Issue 14.

15 **COMMISSIONER EDGAR:** Second.

16 **CHAIRMAN BRISÉ:** All right. It's been moved
17 and seconded. Any further comments or discussion?

18 Okay. Seeing none, all in favor, say aye.

19 (Vote taken.)

20 Okay. Thank you. Moving on to item -- Issue
21 Number 14, 15, and 16. I don't know if you all wanted
22 to take that up as a group.

23 Commissioner Graham.

24 **COMMISSIONER GRAHAM:** I'd move staff
25 recommendations on item 15 and 16.

1 **CHAIRMAN BRISÉ:** Okay. Is there a second?

2 Commissioner Balbis with a question.

3 **COMMISSIONER BALBIS:** Thank you. I'll second
4 that with just a clarification that on the revenue
5 requirement we would give staff the authority to make
6 those changes.

7 **CHAIRMAN BRISÉ:** Sure. Okay. It's been
8 seconded, with recognition that staff will have the
9 authority to make the appropriate adjustments.

10 It's been moved and seconded. Any further
11 discussion?

12 Seeing none, all in favor, say aye.

13 (Vote taken.)

14 Okay. Thank you. Moving on to Issue 17.

15 Okay. Staff and then --

16 **MS. BRUCE:** Issue Number 17, "Should the
17 Commission approve Ni Florida's requested elder valve
18 charge for its wastewater system?" Staff has
19 recommended that the charge not be approved due to the
20 fact that we believe that a delinquent customer should
21 not be required to pay an elder valve charge. However,
22 we are recommending that staff -- staff recommends a
23 \$27 violation fee for customers with the presence --
24 that already has an elder valve to turn the valve back
25 on with a \$27 reconnection fee.

1 **CHAIRMAN BRISÉ:** Okay. Thank you. Office of
2 Public Counsel?

3 **MR. REILLY:** We do not disagree with this
4 recommendation that they're making. As I said, it's
5 tied to this elder valve issue, a lot of this
6 regrettable language that was in there.

7 I think this may be the spot in the
8 Commission's order, since you've already said that you
9 really are directing the utility to go out and speak to
10 these two water providers and to work out an arrangement
11 for this water cutoff, that if we could put that kind of
12 language in there saying that with this new evidence it
13 appears a willingness of these two water providers to do
14 that, somewhere in the order it should say, "We direct
15 you to exercise your best efforts to go out and make
16 this happen."

17 Our office will be involved in that effort
18 too. In fact, in the break I even said for Hudson Water
19 Works, you know, our clients are the owners of the
20 company. You know, this is a co-op. I mean, I just
21 believe that if we had direction actually in the order,
22 and it's not here yet -- I mean, it was spoken by you --
23 but this might be the place to put it to say we think
24 this is a good idea and we think you should exercise
25 your best efforts to do this as soon as possible.

1 **CHAIRMAN BRISÉ:** All right. Thank you.

2 Commissioner Edgar.

3 **COMMISSIONER EDGAR:** Thank you. I know we
4 have had discussion and we always encourage companies,
5 utilities, providers, et cetera, to get together and
6 talk and try to find out what is the best possible route
7 or means for service. So I guess I would ask, if I may,
8 Mr. Chairman --

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

10 **COMMISSIONER EDGAR:** -- ask our legal staff to
11 maybe respond to Mr. Reilly's request.

12 **MS. BROWNLESS:** Well, we certainly can put in
13 the order that we suggest that they get together to use
14 their best efforts since it does appear that Pasco
15 County, whatever they said before, has changed their
16 mind, that they use their best efforts to negotiate.
17 But, of course, Pasco County has no duty to enter into a
18 contract with this utility, nor does the co-op. It's
19 their independent decision. So I think while our order
20 can say that we would urge them to use their best
21 efforts to negotiate, I think that's where we would need
22 to stop.

23 **COMMISSIONER EDGAR:** I think that's a good
24 point. Thank you.

25 **CHAIRMAN BRISÉ:** Thank you.

1 Commissioner Balbis.

2 **COMMISSIONER BALBIS:** Thank you. And if we
3 are discussing changes to the order, additions to the
4 order, I would rather be more specific, at least to the
5 point I made previously, that in the discontinuation of
6 service steps that one of the first steps is to request
7 that the water service be turned off, you know, in that
8 process. So encouraging working with them I think is
9 great and I would support adding it to the order. But I
10 think even more specifically adding that step to the
11 turnoff protocol is to request water shutoff.

12 **CHAIRMAN BRISÉ:** Okay. Did the company want
13 to address us on this issue?

14 **MR. McDONNELL:** Well, it's been my experience,
15 although limited, that either there is an agreement in
16 place or there isn't an agreement in place between the
17 water supplier and the wastewater utility. So I don't
18 think it would be fruitful to do it on a per customer
19 basis. I think the onus needs to be, the focus needs to
20 be getting an agreement in place, if possible. And if
21 we don't have an agreement in place, the water supplier
22 hasn't agreed to turn it off for us, so I think we
23 should be allowed to take whatever action we deem
24 appropriate on a case-by-case basis. That's my only
25 comment.

1 **CHAIRMAN BRISÉ:** Okay. Ms. Brownless.

2 **MS. BROWNLESS:** And, Commissioner, I would
3 also add that the company is required to comply with our
4 rules regarding disconnection, and they're clearly
5 stated in 25-33.20. And, of course, we would hold them
6 to that standard.

7 **COMMISSIONER BALBIS:** And, Mr. Chairman, if I
8 may. I actually agree with the utility. That's a valid
9 point. So, I mean, with that I'd be in favor of just
10 adding in the order that they should coordinate, et
11 cetera. But, but I agree with the utility on that.

12 **CHAIRMAN BRISÉ:** Okay. Commissioners, if
13 there are no further comments on Issue 17, we're ready
14 to entertain a motion.

15 **COMMISSIONER EDGAR:** Move staff.

16 **COMMISSIONER BROWN:** Second.

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

20 (Vote taken.)

21 All right. Thank you. We are left with
22 Issues 18, 19, 20, and 21.

23 Commissioner Graham.

24 **COMMISSIONER GRAHAM:** Move staff
25 recommendation on 18 -- Issue 18 through 21.

1 **CHAIRMAN BRISÉ:** Okay.

2 **COMMISSIONER BROWN:** Second.

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

5 **MS. BROWNLESS:** Yes, sir. With regard to
6 Issue Number 21, we just want to point out that because
7 we've been -- you want us to put in the order that the
8 utility will meet with everybody and we'll all get back
9 in six months, that the order be written in such a way
10 and we all understand that this docket would be closed
11 pending no formal protest being filed. And to the
12 extent that the utility, when we meet in six months, has
13 not met the expectations of the Commission, the staff
14 would bring a show cause order forward in a separate
15 docket.

16 **CHAIRMAN BRISÉ:** Okay. All right. I think
17 the intent of the motion included that. All right. So
18 it's been moved and seconded. All in favor.

19 (Vote taken.)

20 Thank you. All right. Thank you very much.

21 (Agenda item concluded.)

22

23

24

25

1 STATE OF FLORIDA)
2 COUNTY OF LEON)

CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, 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 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 8th day of November,
19 2013.

20
21 Linda Boles

22 LINDA BOLES, CRR, RPR
23 FPSC Official Commission Reporters
24 (850) 413-6734
25



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

October 16, 2013

Re: Docket No. 130010-WS; Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC. – OPC Concerns Re Installation of Elder Valves.

Dear Mrs. Cole:

Attached is a letter from our contract operator, Utility Group of Florida, LLC regarding this matter. It is my understanding that we requested in writing for Hudson Water and verbally for Pasco County, through the manager of customer service, to turn off water on our behalf in order to collect delinquent accounts. We have recently been in contact with Hudson Water and while they are suggesting they would consider shutting off water service on our delinquent wastewater accounts in the future, they stated that presently they are too busy to agree to such a request. As the letter from Bruce Kennedy suggests, within the last twelve months Pasco County has passed an ordinance which would allow them to assist us in collections. We have scheduled a meeting with Pasco County on October 21, 2013 to discuss operational issues. While we have requested similar meetings in the past, this will be the first meeting we will have had with them since we acquired the system. I will personally request that they begin cutting off their water customers with delinquent Hudson wastewater accounts.

Non-payment of bills should never impact a utility or the cost of service of its other paying customers. When a reasonable deposit is received, an elder valve allows us to terminate service as soon as the bill is delinquent. For example, during the past two years, over 50 percent of the elder valves installed for non-payment resulted in collection of the past due receivables which then did not become the financial responsibility through rates for our other customers. In that regard, any collection initiative taken by a utility should be deemed prudent.

Ni America takes pride in its ability to control costs and customer rates. As a cost saving initiative, it will be our pleasure to engage in conversations with the local utilities to turn off water to encourage payment of our past due wastewater accounts. Depending on the annual cost charged to us by those utilities for that service we will determine the most cost effective means to control past due accounts going forward and will choose accordingly.

Sincerely yours,

Ed Wallace, President
Ni Florida, LLC

Parties/Staff Handout
Internal Affairs/Agenda
on 10/24/13
Item No. 8

10913 Metronome Drive • Houston, Texas 77043
(713) 574-5952 • Fax: (713) 647-0277



of Florida, LLC

October 16, 2013

Mr. Ed Wallace
Ni America, LLC
10913 Metronome Drive
Houston, Texas 77043

RE: Request to address questions contained in correspondence from Florida Office of Public Council to Florida Public Service Commission dated October 9, 2013 and October 14, 2013.

Dear Mr. Wallace,

This letter is intended to provide written response to issues and/or questions resulting from the above mentioned correspondence. The item dated October 9, 2013 states:

OPC called several companies and representatives that have a wastewater-only utility where water is provided by another company or government. In most instances, the wastewater company contacts the water provider to see if an agreement can be reached to coordinate meter readings as well as disconnects for non-payment of bills. OPC asked PSC staff if Ni had inquired of the water providers. Staff informed OPC that Ni said that neither Hudson nor Pasco County would provide this service for Ni. OPC called Hudson on October 8, 2013, and spoke with the Utility Director, Mr. Horak. Mr. Horak stated that Hudson does provide meter readings for Ni and would also work with Ni enter into a contract for Hudson to shut-off water meters for customers that fail to pay their wastewater bill. Hudson works with Pasco County in the same manner for the Pasco County wastewater customers where Hudson is the water provider. Hudson receives a fee from the County, which is spelled out in the contract between the two providers. Mr. Horak also stated that Ni had never requested any such service. Further, Mr. Horak expressed his opinion that after speaking with Ni's contract operator, the contractor has an incentive to install the valves instead of working with the water providers as the contractor gets paid for more work performed on the Ni system.

After meeting nearly four years ago with Mr. Horak, and before we began to install Elder Valves, Andy Thomas of Ni America and I informally discussed the possibility of Hudson Water to expand the existing service of providing meter readings to increase its service by providing shut offs to our delinquent wastewater customers, I was advised to send a letter to Hudson Water formally requesting the service. Shortly after, I was informed that although the service was recommended by Mr. Horak to the Board of Directors, the board voted to not provide the service to Ni Florida - Hudson. The denial was explained to me as "The Board felt there was a conflict of interest terminating service as Hudson Water is a water utility co-op with each customer being an owner."

Mr. Horak and his staff are presently looking for the written request and the denial to that request in their archives. It is believed that this request occurred between the years 2009 – 2010 and if the documents are not found this week, we will file a written request as an owner/member of Hudson Water, to review the meeting minutes of the Board of Director's Meeting for the last five years and obtain a copy for the docket file.

OPC also contacted several people at the Pasco County Utility Department to determine whether Ni had approached the county to coordinate water meter shut-offs for non-payment. Pasco County utility stated that Ni had not approached the county but that the county would certainly be willing to work with Ni as the county is in the same situation with other water companies. Pasco County stated that in areas where an agreement is reached with the water provider to cut-off water service, it has resulted in significantly lower bad debt expense incurred by the County by sending a timely and cost effective incentive to customers to pay their bill.

During the same time period, our office contacted Pasco County Utilities customer service department in an attempt to request the same services. The call was taken by Ms. Anna Maria Varrious, Customer Service Manager. Our request began with an inquiry of the County's willingness and ability to provide meter readings (similar to the service received from Hudson Water). It was explained that the billing system could not provide a report that would contain only the customers served by Ni Florida – Hudson. It was further requested that the County enter into an agreement that would require them to terminate water service if the sewer bill was delinquent. We were advised that the County had no interest in entering in such an agreement.

OPC believes that Ni has not been prudent in investigating the most cost effective means of obtaining a shut-off for non-paying customers. Further, placing the cost of installing expensive valves in rate base and requesting a charge that may or may not be collectible from the cost-causer is unfair. All customers currently pay for bad debt expense as part of the revenue requirement. If you allow the valve cost in rate base without an offset to CIAC means that all customers will pay far more than the cost of the bad debt expense.

As discussed above, it is my belief that as the operations contractor, Utility Group of Florida has represented Ni Florida – Hudson and the customers of that system in a prudent and professional manner. It is obvious that policies change over time, and in this case, Pasco County Utilities has

apparently entered into an agreement with Hudson Water that was not available four years ago. It is my belief that the agreement between the parties was made as a result of Resolution No. 13-25, passed by the Board of County Commissioners, dated October 23, 2012, that states:

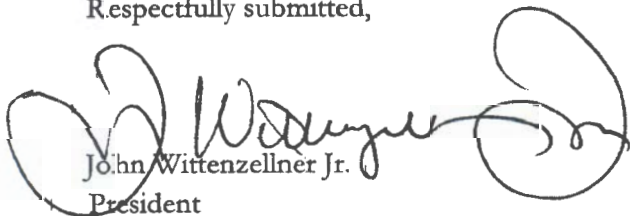
A RESOLUTION BY THE BOARD OF COUNTY COMMISSIONERS OF PASCO COUNTY, FLORIDA ADOPTING A NEW PROGRAM TO REQUIRE WATER PROVIDERS TO CEASE WATER SERVICE TO A PREMISE THAT IS DELINQUENT IN PAYING FOR WASTEWATER SERVICE PROVIDED BY THE COUNTY PURSUANT TO THE AUTHORITY OF SECTION 153.12, FLORIDA STATUTES.

With that said, Utility Group of Florida will prepare a written request to each of the two water providers, to again ask if this service is available, and if so, to provide a copy of a proposed agreement identifying the requirements and costs of such an agreement. As it is clear from the above mentioned correspondence that the County will enter into such an agreement, I will also ask them to consider an agreement to provide a copy of the meter readings, identifying the requirements and costs for such an agreement. A contract similar to the one in place with Hudson Water will eliminate a large percentage of inquiries as customer usage will match between the County and Ni Florida – Hudson.

I would also remind you that the Elder Valve Program is an important part of the I & I Program. Throughout our investigation, we have identified a number of single and double customer lateral connections that have shown intrusion during the period of high tide. The installation of the Elder Valve helps us understand if the intrusion is a result of the connection between the gravity main and the property line, or the property line to the home. Homes without clean outs have had Elder Valves installed to help us identify the source of the problem. We have found that a large majority of these I & I issues occurred at, or in close proximity to the main, while others are occurring within the lateral and are the responsibility of the home-owner.

If you have any questions regarding this or any other matter, please feel free to contact this office.

Respectfully submitted,



John Wittenzellner Jr.
President

Reilly, Steve

From: DURWOOD HORAK <DURWOOD@TAMPABAY.RR.COM>
Sent: Thursday, October 24, 2013 7:17 AM
To: Reilly, Steve
Subject: FW: Ni America

From: DURWOOD HORAK [mailto:DURWOOD@TAMPABAY.RR.COM]
Sent: Wednesday, October 23, 2013 2:34 PM
To: 'DURWOOD HORAK'
Subject: RE: Ni America

October 23, 2013

Stephen C. Reilly
Associate Public Counsel
State of Florida
Office of Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, Fl. 32399-1400

Re: Docket #130010, Ni Florida Application For Rate Increase

Dear Mr. Reilly:

With reference to the regularly scheduled meeting of the Board of Directors of Hudson Water Works dated February 20, 2009. After research on my part of reviewing the minutes for 2009, I discovered that a letter from John Wittenzellner was received by the Board of Directors requesting amendments to the contract signed the month before. However, the contracts for Ni Florida are signed by Ed Wallace, not John Wittenzellner; therefore, all requests would have to be made by Ed Wallace, since he is the acting member for Ni Florida. Due to the fact that John Wittenzellner is a non-member the request was denied. Ni Florida was contacted and told that the request was denied. They were informed of the procedures which needed to be followed. As of today's date, nothing further has been requested.

The proper procedures were followed by Pasco County. We have been turning the water on/off for them since March of 2013. It has been a very good working relationship.

Sincerely,

Durwood J. Horak
Utilities Director
Hudson Water Works, Inc.

From: DURWOOD HORAK [mailto:DURWOOD@TAMPABAY.RR.COM]
Sent: Wednesday, October 23, 2013 11:52 AM
To: 'Reilly, Steve'
Subject: RE: Ni America

Parties/Staff Handout
Internal Affairs/Agenda
on 10/24/13
Item No. 8

October 23, 2013

Mr. Stephen C. Reilly
Associate Public Counsel
State of Florida
Office of Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, Fl. 32399-1400

Re: Docket #130010, Ni Florida Application for Rate Increase

Dear Mr. Reilly:

Hudson Water Works has received a request from the Office of Public Counsel to consider revising the current contract with Ni Florida, a wastewater collection utilities in Hudson with shared customers of Hudson Water Works. Hudson Water Works stands ready and able to revise the contract to include disconnecting water service of our shared customers for an appropriate fee. Hudson Water Works currently provides this service to Pasco County and would require Ni Florida to comply with the same requirements that Pasco County has agreed to, including but not limited to a local staffed office with an employee available during working hours to communicate with Hudson Water Works and its shared customers. As a not for profit co-op our shared customers are owners of our company and it would be of the utmost importance that no water be disconnected in error and all customers are restored as soon as possible after making payment to Ni Florida. This letter and these proposed arrangements are not binding on Hudson Water Works but are subject to being placed in a comprehensive written agreement, approved by the Board of Directors and legal counsel, and providing that Hudson Water Works may cancel the arrangement at any time if, in Hudson Water Works' sole discretion, the working relationship with Ni Florida becomes problematic. We would expect that Ni Florida would pay our legal expenses related to the proposed agreement.

Sincerely,

Durwood J. Horak
Utilities Director
Hudson Water Works, Inc.

From: Reilly, Steve [mailto:REILLY.STEVE@leg.state.fl.us]
Sent: Wednesday, October 23, 2013 11:08 AM
To: 'durwood@tampabay.rr.com'
Subject: FW: Ni America

See attached.

From: Reilly, Steve
Sent: Tuesday, October 22, 2013 2:54 PM
To: 'durwood@tampabay.rr.com'
Subject: FW: Ni America

FYI.

From: Joseph Richards [mailto:jrichards@pascocountyfl.net]
Sent: Thursday, October 10, 2013 11:29 AM
To: Reilly, Steve



PASCO COUNTY, FLORIDA

"Bringing Opportunities Home"

DADE CITY (352) 521-4274
LAND O' LAKES (813) 235-6012
NEW PORT RICHEY (727) 847-8145
FAX (727) 847-8083

UTILITIES SERVICES BRANCH
PUB. WKS/UTILITIES BLDG., S-213
7536 STATE STREET
NEW PORT RICHEY, FL 34654-5598

October 9, 2013

Mr. Stephen C. Reilly
Associate Public Counsel
State of Florida
Office of Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400

RE: Docket # 130010, Ni Florida Application for Rate Increase

Dear Mr. Reilly:

I understand that a question has arisen in the above-referenced rate case as to whether Ni Florida, as a sewer only utility in Pasco County, has contacted the water suppliers in its area for assistance with delinquent customers. As the director of the Pasco County Utilities, a water supplier in Ni Florida's territory, we have not been contacted about shutting off water service to delinquent sewer only customers. Further, if we had been contacted we would have been more than willing to provide shut-off service to Ni Florida. Pasco County Utilities has several service areas where we only provide sewer service and we know that having the water service shut off is the most efficient and practical way to deal with delinquent sewer only customers. That is why we have entered into an agreement with Hudson Water Works for shut-off service and the Board of County Commissioners adopted the attached resolution to facilitate this process.

If you have any questions, please contact us.

Sincerely,

Bruce E. Kennedy, P.E.
Assistant County Administrator
(Utilities Services)

JR/BEK/mvv/mydocs/bekletters/Reilly, Stephen

Enclosure

cc: Mr. Ed Wallace, Ni America Operating, 10913 Metronome Drive, Houston, TX 77043
Joseph Richards, Senior Assistant County Attorney

"Focused on Service, Committed to Excellence" for "Bringing Opportunities Home"

Parties/Staff Handout
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A RESOLUTION BY THE BOARD OF COUNTY COMMISSIONERS OF PASCO COUNTY, FLORIDA ADOPTING A NEW PROGRAM TO REQUIRE WATER PROVIDERS TO CEASE WATER SERVICE TO A PREMISE THAT IS DELINQUENT IN PAYING FOR WASTEWATER SERVICE PROVIDED BY THE COUNTY PURSUANT TO THE AUTHORITY OF SECTION 153.12, FLORIDA STATUTES.

WHEREAS, pursuant to Article VIII, Section (1)(f) of the Florida Constitution and Section 125.01, Florida Statutes, Pasco County has authority to provide water service and wastewater collection, treatment and disposal; and

WHEREAS, the Board of County Commissioner of Pasco County finds that water and wastewater services is an essential service for the benefit of the health, safety and welfare of the public; and

WHEREAS, pursuant to Section 153.12, Florida Statutes, Pasco County has authority to establish by resolution a program to require water providers to cease water service to a premise that is delinquent in paying for wastewater service provided by the County; and

WHEREAS, the Board of County Commissioners finds that it is necessary and desirable to adopt a resolution to address delinquent bills of sewer-only customers.

NOW THEREFORE, BE IT RESOLVED by the Board of County Commissioners of Pasco County, Florida, as follows:

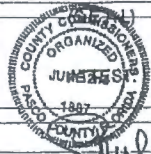
Sewer-only Customer Delinquency Water Disconnection Program Pursuant to Section 153.12, Florida Statutes:

A. If any rates, fees or charges for the use and services of the County wastewater system by or in connection with any premises not served by the water system of the County is not paid within 60 days after the same shall become due and payable, the owner, tenant or occupant of such premises shall cease to dispose of sewage or industrial waste originating from or on said premises by discharge thereof directly or indirectly into the sewer system of the County until such rates, fees or charges with interest, are paid; and

B. If such owner, tenant or occupant remains delinquent in its account and does not cease such disposal at the expiration of such 60-day period it shall be the duty of any district, private corporation, board, body or person supplying water to or selling water for use on such premises to cease supplying water to or selling water for the use on such premises within 5 days after the receipt of notice of such delinquency from the County; and

C. If such district, private corporation, board, body or person does not, at the expiration of such 5-day period, cease supplying water to or selling water for use on such premises, then the County may, unless it has theretofore contracted to the contrary, shut off the supply of water to such premises.

DONE AND RESOLVED this 23rd day of October, 2012.



PAULA S. O'NEIL, Ph.D.,
CLERK AND COMPTROLLER

BOARD OF COUNTY COMMISSIONERS
OF PASCO COUNTY, FLORIDA

ANN HILDEBRAND
CHAIRMAN

APPROVED
IN SESSION

OCT 23 2012

PASCO COUNTY
BCC

RLC

<u>Utility Position Title</u>	<u>Duties</u>	<u>AWWA CS Position Title</u>	<u>Job Description</u>
President	Mr. Wallace has overall responsibility for the day-to-day management of Ni America (and all its subsidiaries). As such, he leads and directs the Ni America Operating staff, and manages all affairs of Ni America (including regular communication with the board on financial and more important business matters).	Top Executive	Under general direction of the city, managing Board of Directors, mayor, or Board of Water Commissioners, is responsible for managing, planning, coordinating and administering all activities of the Water Department and/or Water Company. Responsible for the short- and long-range strategy of the organization subject to review by the Board.
VP of Cap. Improvements	Mr. Thomas leads and directs the capital improvements programs at all Ni America owned utilities. As part of this role, he oversees and directs the coordination of all capital projects to ensure all utility assets are in compliance with regulatory statutes. He approves the nature of expenses submitted by third parties to ensure proper classification (capital improvements vs. expensed items). He also coordinates with Ni America's third party operators concerning equipment purchases and general repairs and maintenance.	Top Planning Executive	Responsible for functions relating to raw water development planning, protection and operation; hydraulic system planning; demographics, land use and plan review; and capital program development, both long- and short- range.
VP of Operations	Mr. Ashfield monitors the utility's operations and directs employees and contractors assigned to these functions. Further, he reviews and manages the utility's operating contracts (i.e. plant, property and equipment purchases) and manages the property and fixed asset documents (title work, easements, etc.).	Top Administration Executive	Under general direction of the Top Executive, is responsible for all administrative functions, including Human Resources, the Affirmative Action Program, Customer Services, General Services, Administrative Services, and Property Administration.
Senior VP of Human Resources	Mrs. Thomas manages the corporate administration of day-to-day operations for all utilities owned by Ni America, including but not limited to payroll, human resources, and benefits. She manages the accounts payable - including operational and maintenance invoices, as well as all of the utilities' insurance policies (General Liability, Workman's Compensation, etc.). She also oversees the office facilities including purchasing furniture, office equipment, telephones and computers.	Top HR Executive	Responsible for the formulation, administration and direction of all human resource programs including Recruitment, Selection and Employment, Compensation, Benefits, Training and Employee Relations.

Parties Staff Handout
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<u>Utility Position Title</u>	<u>Duties</u>	<u>AWWA CS Position Title</u>	<u>Job Description</u>
Manager of Accounting	Mr. Pendleton is responsible for handling general accounting and bookkeeping for the Texas and Florida utilities owned by Ni America. He prepares each of the utilities' monthly financial statements in accordance with U.S. GAAP. He is also responsible for managing the cash available for each of the utilities owned by Ni America.	Senior Accountant	Under general supervision, is responsible for providing leadership and accomplishing the work of an accounting group. Performs technically difficult nonsupervisory accounting work assisting in the development of appropriate policies and procedures. Typically has Bachelor's Degree in Accounting and 5 years of experience.
Manager of Operations	Mr. Sherwood leads and directs the operations programs at all owned utilities owned by Ni America. As part of this role, he oversees and directs the coordination of all operations, repairs and maintenance, and capital projects to ensure all utility assets are in working order and in compliance with regulatory statutes. He also coordinates with Ni America's third party operators concerning general repairs and maintenance. He approves invoices submitted by third parties to ensure proper classification (capital improvements vs. expensed items).	Top O&M Expense Executive	Directs and administers the Operations/Maintenance Division functions of Source and Supply, Water Treatment, Water Quality, Water Control, Transmission and Distribution, Maintenance, and Process Control.
Chief Financial Officer	Mr. Daday has overall responsibility for the day-to-day management of Ni America (and all its subsidiaries). As such, he leads and directs the Ni America staff, and manages all affairs of Ni America (including but not limited to approving corporate expenses and operational expenses). He oversees the administration of contracts, capital expenditures, and routine maintenance expenses for all utilities owned by Ni America.	Top Finance Executive	Responsible for management of the Department's financial resources, including acting as the dispersing authority for the Top Executive. Directs and manages the Accounting Treasury and Budget Operations, Rate Administration, Contract, and Information Services Sections.
Corporate Controller	Mr. Griffin is responsible for the accounting for all utilities owned by Ni America. He reviews each of the utilities' monthly financial statements to insure they are in accordance with U.S. GAAP. He is also responsible for reporting the cash available for each of the utilities owned by Ni America.	Accounting Manager/Controller	Responsible for planning, organizing, directing, and participating in all accounting functions.