



**P R O C E E D I N G S**

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2           **CHAIRMAN GRAHAM:** All right. So let's take  
3 up Item Number 5 followed by Item Number 11, because I  
4 figure there will be a lot of the same characters, and  
5 then we will take up Item Number 6 last.

6           **MR. FRIEDMAN:** Are you sure?

7           **CHAIRMAN GRAHAM:** Yes. And, Mr. Friedman, I  
8 was referring to you. (Laughter.)

9           Mr. Lester, please.

10          **MR. LESTER:** Good morning, Commissioners.  
11 I'm Pete Lester with staff.

12           Item 5 is a staff-assisted rate case for CHC  
13 VII, Limited. This is a water and wastewater utility  
14 that serves 894 water customers and 873 wastewater  
15 customers in Polk County. Staff is recommending a  
16 revenue increase of 33 percent for water and 98 percent  
17 for wastewater. The main contributors to these  
18 increases are salaries and billing expenses and  
19 allowing the utility the opportunity to earn a  
20 reasonable return on rate base.

21           A customer, Mr. Robert Nicely, is here to  
22 speak, as well as representatives of OPC and the  
23 utility.

24          **CHAIRMAN GRAHAM:** Thank you, staff.

25          OPC.

1           **MR. REILLY:** Good morning, Chairman Graham,  
2           Commissioners. My name is Steve Reilly with the Office  
3           of Public Counsel appearing on behalf of the  
4           ratepayers. Also will be appearing Denise Vandiver  
5           with our office.

6           As has already been said, we have a customer,  
7           Bob Nicely, who would like to address the Commission  
8           concerning Item 5, so I guess we might yield for his  
9           comments. And then I will give you a little bit of a  
10          lead, we intend to, when we have an opportunity, to  
11          address Issue 6, operating expenses. And we will be  
12          wanting to talk about four components of the operating  
13          expenses, but we'll go into that after Mr. Nicely's  
14          comments, if that's okay.

15          **MR. NICELY:** I'm Mr. Nicely and I have been a  
16          resident of Swiss Golf and Tennis for 20-plus years. I  
17          pay rent by check monthly, payable to Swiss Golf and  
18          Tennis, which includes the monthly water charge.

19          I first learned of CHC when I had an  
20          overcharge for water. I assumed that they were the  
21          water utility. But by examining the Internet, I found  
22          they were the owners of Swiss and of Hidden Golf.  
23          Further review led me to a \$47 million mortgage dated  
24          July of 2012. This mortgage merged a prior mortgage  
25          with a paid-down balance of approximately \$36 million

1 and released the prior obligors, all of which had the  
2 same mailing address as CHC.

3 Then in October of 2012 in a Polk County tax  
4 assessment case, CHC filed an accounting labeled  
5 petitioner's evidence, which they deducted over  
6 \$2 million of interest which reduced their income for  
7 CHC to \$75,000. That same filing shows the utility in  
8 question with a net income of \$52,000. That filing  
9 doesn't show any income for the \$11 million.

10 I realize that this may have nothing to do  
11 with the case, except that it raises a red flag as to  
12 CHC's allocation of labor and a large amount of  
13 unaccounted water. We attempted to examine the meters  
14 for the common areas. We were told there were  
15 35 meters. Your staff reported 23 meters. We were  
16 told to stop our exam, but by then we had found several  
17 meter boxes that were piped through.

18 We have over 200 requests for our prior meter  
19 readings, per your instructions, but we are still  
20 awaiting CHC's response. I am advised that the Florida  
21 Rural Water Association has agreed to do a complete  
22 audit of this water system without cost. Such an  
23 important audit should help clear up or shed light on  
24 the unaccounted water and the labor allocation issues.

25 As to the conservation of water, we are all

1 in favor of it. Reduce the monthly usage to  
2 5,000 gallons. And as to the rate, I believe there are  
3 enough issues that should be resolved prior to a final  
4 determination.

5 If you are inclined to put the rates in  
6 effect immediately, do it on a temporary basis. Allow  
7 the audit by the Florida Rural Water Association, and  
8 then set the final rate. Please keep this docket open  
9 until then. I don't know if such audits have been done  
10 in the past, but it seems to me that in the future such  
11 audits should be required in cases with 20 percent or  
12 more of unaccounted water.

13 Thank you very much.

14 **MR. REILLY:** Let me respond to the audit  
15 issue and the unaccounted for water a little bit with  
16 regard to this case. We looked at both cases. The  
17 unaccounted for water and billing issues were far more  
18 extreme in the S.V. case. Unfortunately, this one was  
19 first on the docket. We did not, as our initial  
20 recommendation, feel that, you know, made a  
21 recommendation to do an audit in this case. We felt we  
22 had a very compelling case in the S.V. So I would say  
23 this, that if after you hear the arguments on S.V. you  
24 think it's appropriate to have this free audit that we  
25 have arranged to get with the Rural Water Association

1 with regard to S.V., given their proximity to each  
2 other, you may elect to, while we are at it for the  
3 efficiency, to go ahead and have it done for both. But  
4 our arguments in our case for asking you to do this  
5 audit really relates to the later case.

6 So my only request for you, after you go  
7 through the issues and decide the revenue requirement  
8 in this case, perhaps you can just temporarily pass the  
9 adoption of final rates until after you hear the  
10 argument on S.V. That way you can resolve both cases,  
11 you know, at the same time.

12 So with that said, I guess our next speaker  
13 would be Denise Vandiver who will present, I guess, the  
14 four components of the operating expenses that we would  
15 like to question and have you reconsider the staff's  
16 recommendation, or however you want to proceed.

17 **CHAIRMAN GRAHAM:** Let's see if we can't get  
18 the utility to respond to Mr. Nicely so we can push  
19 that to the side and then go on.

20 **MR. REILLY:** That's fine.

21 **CHAIRMAN GRAHAM:** Mr. Friedman.

22 **MR. FRIEDMAN:** Thank you, Mr. Chairman,  
23 Commissioners. My name is Marty Friedman. We  
24 represent the CHC VII. Also with me is Mr. Brian  
25 Altman who is the Executive Vice President of Central

1 Realty Funds, which is the general partner of CHC VII,  
2 which is a limited partnership.

3 I think most of what Mr. Nicely said, as he  
4 acknowledged, had nothing to do with this rate case,  
5 and that dealt with general overall finances of CHC as  
6 a mobile home community operating a golf course and  
7 those amenities. The asset that the staff looked at  
8 and that we filed an application for was limited to the  
9 utility, the utility assets, and the revenue  
10 requirement to provide a reasonable return on those  
11 utility assets, which is different from what the mobile  
12 home community does, because there are different  
13 standards governing what a mobile home community can do  
14 with regard to its rents than what this Commission is  
15 authorized to do with regard to utility revenues.

16 On the issue of unaccounted for water, this  
17 utility only has 6.1 percent excessive unaccounted for  
18 water. You know, it is called excessive unaccounted  
19 for water because it is over 10 percent, but it's not  
20 so great that it would shock your conscience that there  
21 is that much unaccounted for water out there. And the  
22 utility is undertaking steps to discover leaks in its  
23 system, replace meters as they are determined to be  
24 inoperative. And, in fact, the utility had the Florida  
25 Rural Water Association come out and bring their leak

1 detection equipment, teach them how to use the leak  
2 detection equipment. And while they started over at  
3 the S.V. utility, they started leak detection  
4 activities, and then the Florida Rural Water  
5 Association needed its equipment back, and they took  
6 their equipment. The utility proactively went ahead  
7 and ordered that exact same equipment which I think  
8 arrived today or yesterday.

9 So they actually purchased the equipment that  
10 they can use at all of their mobile home communities,  
11 including CHC. It's a long arduous process, because  
12 you've got to take that equipment to every place where  
13 there is a connection to the main, every time there is  
14 a valve. So it's a long process, and they are going to  
15 start, obviously, at S.V. Utilities where there is more  
16 unaccounted for water, but they will utilize that same  
17 equipment to be proactive in finding leaks.

18 Finding leaks in the system in that part of  
19 Florida is challenging because the water -- the ground  
20 is so sandy that unless you have got a really, really  
21 big leak in a line that is really close to the surface,  
22 it can leak for a long time and it just permeates into  
23 the soil. And you can't find it by looking at the top  
24 of the ground like you can most of the time up here  
25 where we've got a red clay confining layer. When you



1 get a leak up here, you usually know it pretty quickly.  
2 Down there, unless it's a gusher leak on a line that's  
3 close to the surface, you don't find it.

4 This equipment will help us to find it, and  
5 the utility is being proactive in using that equipment  
6 to try to find leaks to keep their unaccounted for --  
7 excessive unaccounted for water as low as possible.  
8 And hopefully the next time they are in here they will  
9 have no excessive unaccounted for water. But  
10 6.1 percent is not so drastic as to shock your  
11 conscience.

12 **CHAIRMAN GRAHAM:** Thank you, sir.

13 Mr. Reilly.

14 **MR. REILLY:** As I said, Denise Vandiver with  
15 our office would like to address Issue 6, operating  
16 expenses, and really focus on four components of that.  
17 We're going to question the salaries and wages of  
18 officers, contractual services billing, contractual  
19 services professional, and rents.

20 **CHAIRMAN GRAHAM:** Ms. Vandiver.

21 **MS. VANDIVER:** Good morning, Commissioners.  
22 My name is Denise Vandiver with the Office of Public  
23 Counsel.

24 The staff recommendation includes those four  
25 areas. The first one is salary and wages for officers.

1 This expense includes utility employees that operate  
2 and maintain the facilities, park employees that  
3 participate in the general operations, and the vice  
4 president of Century Companies. We are concerned with  
5 the allocation of the CRF corporate vice president in  
6 that the utility only provided a brief paragraph that  
7 generally describes the responsibilities and an  
8 approximate percent of time spent on utility issues.  
9 There was no attempt to spell out the specific duties  
10 performed daily, weekly, and monthly, and no attempt to  
11 assign hours to these detailed duties.

12 We have not found in the staff audit or the  
13 staff recommendation any analysis of the affiliated  
14 activities and how these activities impact the  
15 allocation of costs to this specific system. There are  
16 no organization charts, list of affiliate companies, or  
17 other analysis that delineates those duties and  
18 responsibilities that would be the basis for the  
19 appropriate allocation factor between park activities  
20 and utility activities.

21 The staff recommendation adopts the summary  
22 statement from the utility that the corporate officer  
23 spends about 25 percent of his time on water and  
24 wastewater items and uses this amount and then  
25 allocates that among the five utilities that are

1 operated. However, we do not believe that this  
2 allocation fully addresses the amount of time that must  
3 be spent on the 20 parks that are under the Century  
4 Company umbrella that we have found. Therefore, we  
5 believe that, in total, salary expense should be  
6 reduced by approximately \$7,600.

7 The staff recommendation also calculated  
8 billing expense for the utility to switch from monthly  
9 billing -- from quarterly billing to monthly billing.  
10 This cost included a \$15,000 charge for new software to  
11 handle the increased complexity of the billing. We are  
12 concerned with two issues regarding how this amount was  
13 calculated in the expense.

14 First, the utility only allocated it to S.V.  
15 Utilities and CHC, the two current rate cases before  
16 you. However, we believe that the other utility  
17 systems will benefit from this software, and the cost  
18 should be allocated among all five utilities.

19 Second, this is a one-time purchase and  
20 should not be included as an annual expense. It should  
21 be capitalized and depreciated over the six years  
22 required by the depreciation rule. With these two  
23 adjustments, we believe that the billing costs should  
24 be reduced by \$7,500.

25 The third issue we have is with contractual

1 services professional fees of 16,979 for the water  
2 system. This includes \$7,200 for payments made to an  
3 outside vendor, Constaflow (phonetic). The salary and  
4 wages expense includes two employees that allocate time  
5 to the water system. The descriptions for these  
6 employees include repairs and maintenance at each of  
7 the water and wastewater plants, water line repairs,  
8 lift station maintenance and repair, plant operations  
9 and maintenance, and water meter replacements. We do  
10 not believe the utility has provided any explanation as  
11 to why there are additional vendor charges that would  
12 justify why this duplication of work effort.

13 The staff audit requested copies of contracts  
14 with Constaflow and the audit workpapers indicate that  
15 none were provided. Even though this is a  
16 staff-assisted rate case, it is the utility's burden to  
17 justify that its expenses are reasonable and prudent.  
18 Therefore, we believe that the \$7,200 should be removed  
19 as the utility has not supported why this should be  
20 included as well as salary employees.

21 And the last issue is for rent. The staff  
22 recommendation includes \$3,874 for office rent. The  
23 utility did not provide any justification for this  
24 expense. The staff based this level of expense on an  
25 amount provided in the staff-assisted rate case

1 application. The tax return included in the audit  
2 workpapers does not include any rent expense. The  
3 utility did not provide any evidence on how this number  
4 was derived, what specific office base was being  
5 allocated, the basis for the cost that was allocated,  
6 and how the factor was determined, whether it was based  
7 on number of lots, customers, square footage, or time  
8 allocations.

9           Once again, it is the utility's burden to  
10 justify its expenses, and that burden was not met for  
11 this expense. And we believe this expense should be  
12 removed at \$3,800.

13           Thank you.

14           **MR. REILLY:** That would conclude the items  
15 that we would like the Commission to consider before  
16 approving staff's recommendation.

17           **CHAIRMAN GRAHAM:** Staff, would you like to  
18 address some of the concerns from OPC, or would you  
19 like to wait until after you hear from the utility?

20           **MR. MOURING:** I think if we could hear from  
21 the utility first, that would be helpful for us.

22           **CHAIRMAN GRAHAM:** Mr. Friedman.

23           **MR. FRIEDMAN:** Thank you. Marty Friedman  
24 again.

25           A couple of issues. In dealing with the

1 vice-president's salary, that is Mr. Altman here next  
2 to me, and I'm going to let him give you a little  
3 rundown on what he does, and it's not unusual. You  
4 know, a lot of our clients are -- they start out --  
5 most of these utilities that are start up utilities,  
6 and this is not necessarily one, but they are developer  
7 related. And most of those developer-related utilities  
8 spend an inordinate amount of time on the utility  
9 system in relation to the compensation that they get.

10 So it's not unusual in this case that Mr.  
11 Altman spends a large amount of his time on the utility  
12 systems as opposed to managing the other parks, and the  
13 golf course, and the aspects of that which also have  
14 staff under him doing. And I'm going to let him -- and  
15 I think that we provided the staff, I think that  
16 Ms. Vandiver said that she didn't know what he did, and  
17 I thought that at some point in this process we had  
18 provided the staff with a summary of what Mr. Altman  
19 does for the company and how that flows through to the  
20 utility.

21 The billing expense, actually I think that  
22 the billing expense is too low. I think that the staff  
23 misunderstood the documentation that the utility  
24 provided. That they are billing now quarterly, and  
25 it's \$15.71 a quarter, including 8,000 gallons. And

1 that's why when you hear the percentage of the  
2 increase, you are going, wow, that is a large  
3 percentage of an increase. Well, percentages can be  
4 misleading. Because when you started at 8,000 gallons  
5 of water and sewer for \$15.71, realizing, you know,  
6 what even a minimum amount of water and sewer typically  
7 cost in Florida, any reasonable increase to give a  
8 company a reasonable rate of return is going to be a  
9 large percentage, even though in actual dollars it's  
10 not a very large amount.

11 But the billing expense, when the billing  
12 expense documentation was provided going from they bill  
13 now quarterly, they are going to monthly billing. The  
14 documentation we provided was this is the additional  
15 expense. In other words, this is more -- we bill now  
16 four times a year, the expense that we provided for  
17 billing was to add the additional billing times.

18 What the staff did was, I think, they  
19 understood that to be this is the total amount that you  
20 will be billing when you are billing on a monthly basis  
21 instead of the incremental increase. And so actually  
22 that billing number is probably \$7,000 less than what  
23 it should be. And so instead of being a deduction it  
24 probably should be increased by another \$7,000.

25 But, you know, the company, realizing that

1 this is the first real rate increase where they have  
2 really asked for rates that would adequately compensate  
3 for all the employees and people that are working on  
4 this system, we didn't go for every little penny that  
5 we wanted to fight -- you know, that we could fight for  
6 on this company.

7 We are going to get what we think is a decent  
8 rate of return based on what the staff said, we'll sit  
9 on this for a couple years and see if it does work.  
10 And if it doesn't work, then, you know, we may be back  
11 in here again. But they haven't really tried to  
12 maximize every last penny.

13 The salary of professionals, I think the  
14 staff misunderstands that there is two different groups  
15 of people. They have got the regular people that come  
16 in and operate the plant, and they don't go out and fix  
17 leaks, and that is a whole separate person or  
18 consultant, or employees, I guess they are not even  
19 employees, that go out and do that type of work. So it  
20 is not like we have double-dipped on that. There is  
21 one guy in the operating company that operates the  
22 plants. That's what they do.

23 And the rent expense, the company did provide  
24 an analysis of how it came to its rent expense in some  
25 documentation that we provided to the staff. And it



1 was, you know, like 8.3 percent of the rent for the  
2 whole -- for the whole company is actually being  
3 allocated to the utility system. So there is  
4 documentation that was provided to the staff on rent,  
5 and we think the staff's analysis, while probably not  
6 the amount that we had asked for, is adequate, as I  
7 mentioned, for -- at least for the time being.

8 And I'm going to let Brian say a word or two  
9 about what he does and why he spends an inordinate  
10 amount of time on the utility systems.

11 **MR. ALTMAN:** Good morning. You know, in  
12 regards to the allocation of specifically my salary to  
13 the utilities, once we looked at this, I think I  
14 actually probably should have put more of my salary  
15 allocated to the utilities because I think I  
16 underestimated it. But in trying to be fair and pick a  
17 number, you know, I have weekly meetings with our water  
18 and wastewater operators; I have weekly meetings with  
19 our managers on-site that we own and operate the  
20 utilities, and we talk about whether it be water  
21 billing, whether it be lift station maintenance,  
22 whether it be, you know, whatever items need to be  
23 discussed as far as the utilities go. We talk about  
24 billing issues, billing questions.

25 I also meet with our engineer. I meet with

1 our staff that repairs the water lines, the wastewater  
2 lines, the lift stations, pulse pumps. You know, I  
3 meet with all -- any time we have inspections by the  
4 health department on the water systems, or DEP on the  
5 wastewater systems, I'm on-site. I deal with our  
6 engineer that does all of our testing, our groundwater,  
7 our triennials, any kind of water or wastewater testing  
8 I am involved with, I review them. I'm heavily  
9 involved in the permit process, renewals. I spend a  
10 lot of time on this.

11 And I joke around with Marty often that, you  
12 know, I was a finance major in college, but I'm  
13 becoming a utilities major now. But I do spend a lot  
14 of my time overseeing, you know, the daily operations  
15 of these systems and the testing, the permits. You  
16 know, every water permit we have there's annual  
17 requirements for public supply forms. I'm working with  
18 our engineers on those. But weekly/monthly meetings,  
19 daily I'm working in the utility side. So I do spend  
20 quite a bit of time on this.

21 In regards to the managers and other  
22 positions that we allocate a portion of their salary  
23 to, I mean, they deal with water billing, they deal  
24 with meter repairs, they deal with -- I mean, they have  
25 a portion of their job that is related to this, too.

1 So I think it's -- you know, although it's hard to  
2 pinpoint a number of hours in a week that we do this,  
3 it is a significant portion of our duties. Thank you.

4 **CHAIRMAN GRAHAM:** You said that from time to  
5 time you joke around with Mr. Friedman. Does he bill  
6 you during that time?

7 (Laughter.)

8 **MR. ALTMAN:** Yes, absolutely.

9 **CHAIRMAN GRAHAM:** Staff.

10 **MR. FRIEDMAN:** I bill him more if it's not a  
11 good joke.

12 **MR. LESTER:** Regarding the salaries, we  
13 allocate -- you know, we covered direct employees like  
14 wastewater operator, maintenance people, engineering  
15 people, and meter reading, direct labor. But then  
16 someone has got to manage that labor, and that was  
17 Mr. Altman's duties. And so that's why we have  
18 allocated a portion of his salary to, you know, the  
19 five utilities and then down to this utility.

20 Regarding Constaflow, I believe Constaflow is  
21 the contract operator for the water system. And, you  
22 know, it was part of the audit. We had invoices for  
23 all the expense. We didn't, you know, calculate an  
24 expense there, per se, it was based on a direct audited  
25 amount.

1           Regarding the rent, I think of that as a  
2 corporate overhead. They have direct employees, as I  
3 mentioned, but they also have indirect employees,  
4 people who do accounting work and fill out PSC forms  
5 and other things. And, of course, Mr. Altman, I guess,  
6 has an office, and so some of this is just overhead to  
7 allocate the obvious expense that they need an office  
8 for doing some work.

9           It's not a great amount. It is 1,937 for  
10 water and 1,937 for wastewater. What we had originally  
11 in our audit was just a general allocation of a gross  
12 amount when we couldn't break that down. So instead we  
13 started and built everything from the ground up  
14 including salaries, and we did not allow any management  
15 fee that was part of the audit, and then we also built  
16 up the rent expense.

17           And I used the staff-assisted rate case  
18 application where they had included an attachment with  
19 office rent in there. So I have had documentation in  
20 my calculation there.

21           **MR. MOURING:** If I could also speak to -- I  
22 think Mr. Friedman had mentioned in terms of the  
23 incremental billing expense. In the detailed  
24 description of duties and responsibilities that the  
25 utility provided staff for salaries, that included a

1 lot of meter reading, billing, billing time, and things  
2 like that, so we viewed that as strictly incremental.  
3 We did not cap it at the incremental amount, as I think  
4 Mr. Friedman has insinuated.

5 There is time in 601/701, salaries, for  
6 billing, meter reading, things of that nature. So we  
7 viewed that as that was just strictly incremental. But  
8 there is other dollars, O&M dollars associated with  
9 billing activities that the utility is already  
10 receiving. So, I think that answers their issues.

11 **CHAIRMAN GRAHAM:** Commissioners?

12 Commissioner Brown.

13 **COMMISSIONER BROWN:** Mr. Chairman, do you  
14 want to start where they are, or do you want to go back  
15 to the beginning?

16 **CHAIRMAN GRAHAM:** Wherever you want to go.

17 **COMMISSIONER BROWN:** Well, I do have some  
18 follow-up on what they are just discussing.

19 Office of Public Counsel asserts that there  
20 are no contracts to support. But, Mr. Lester, you said  
21 that you reviewed for the Constaflow, and typically we  
22 do consider the contracts as part to support these  
23 costs. Do you think that the invoices, though, are  
24 sufficient without the contracts?

25 **MR. LESTER:** Yes, ma'am, I do. I mean, I'm

1 relying on our auditor there to look at the booked  
2 expenses and review them and see that they are properly  
3 attributable to this utility. And that's basically it.  
4 I mean, they do have a Mr. King who is doing a lot of  
5 work for them, but he is not under a contract. It's  
6 just under more like an oral contract because he has  
7 been a long-time employee.

8 **COMMISSIONER BROWN:** How do you know it is an  
9 oral contract?

10 **MR. LESTER:** Because it says so in the audit  
11 workpapers, and he is a long-time employee. I believe  
12 Mr. Altman could provide background on that.

13 **COMMISSIONER BROWN:** Okay. Staying on some  
14 of the topics that were discussed here, Office of  
15 Public Counsel suggested that FRWA do a dual audit of  
16 both S.V. and the instant case. What are your thoughts  
17 of doing that? They are two separate dockets and --

18 **MR. LESTER:** I'm going to let Curt answer  
19 that.

20 **MR. MOURING:** Well, as I believe Mr. Friedman  
21 pointed out, CHC has a much lower level of excessive  
22 unaccounted for water at 6.1 percent than the Item 11,  
23 S.V. Utilities. It's my understanding that these water  
24 audits are just simply a means of leak detection and/or  
25 unbilled connections. As Mr. Altman said, they are

1 already proactively doing leak detection programs.

2 **COMMISSIONER BROWN:** And they have the  
3 equipment.

4 **MR. MOURING:** Apparently they have the  
5 equipment. We just found out about that recently.  
6 They are not recovering that at all. It's a good thing  
7 in terms of it finds these leaks and it allows the  
8 utility to repair them and get their lines in better  
9 shape and --

10 **COMMISSIONER BROWN:** And it's free.

11 **MR. MOURING:** -- hold their costs down. And  
12 it's free as part of a membership in the Florida Rural  
13 Water Association.

14 **COMMISSIONER BROWN:** Okay. If you don't  
15 mind, Mr. Chairman, just one more question on this, on  
16 the operating expenses.

17 You know, I understand going to the legal  
18 fees of Mr. Friedman. I understand why the legal fees  
19 are in there, but, you know, this is a staff-assisted,  
20 SARC, and I just -- the 10,000 just jumped out at me  
21 for a SARC. Do you think that's reasonable and  
22 prudent? And, if so, can you explain why, for a SARC.

23 **MR. MOURING:** Staff does believe it's  
24 reasonable. In a staff-assisted rate case, Commission  
25 staff typically takes the lead and does the leg work

1 and helps out small utilities that don't have the  
2 infrastructure and don't have the financial means to  
3 conduct a rate case on their own, a full  
4 file-and-suspend rate case.

5 But that being said, a utility is not -- it  
6 would not be imprudent for a utility to retain its own  
7 legal representation in a staff-assisted rate case.  
8 And in this docket, staff has requested the support,  
9 billing support -- the invoices from Mr. Friedman's  
10 firm regarding time spent, what activities Mr. Friedman  
11 performed.

12 Staff has reviewed that, and staff has not  
13 found any --

14 **COMMISSIONER BROWN:** So basically you  
15 reviewed the billing data, the invoices, and thought  
16 they were reasonable and justified. So that's why the  
17 10,000 is appropriate in this?

18 **MR. MOURING:** Yes.

19 **COMMISSIONER BROWN:** Okay. Not to undercut  
20 you, Mr. Friedman.

21 **MR. FRIEDMAN:** I mean, I'll address it in  
22 another issue, too. But, you know, the amount that the  
23 staff approved in this case is really less than what  
24 the Commission typically has granted in the past in  
25 staff-assisted rate cases. And, unfortunately, you



1 know, they still need legal representation. I think  
2 sometimes it's the small companies that probably need  
3 the representation better than the larger companies who  
4 may be more sophisticated, because these people don't  
5 do utility work all day long.

6 If somebody at the staff says, A, they are  
7 going to believe, okay, it's A. And sometimes, you  
8 know, A may not be a bright line. It may be a shade,  
9 you know, one way or the other. And they don't know  
10 that unless they have somebody like myself who can  
11 advise them on that.

12 **COMMISSIONER BROWN:** You may be right on  
13 that.

14 **MR. FRIEDMAN:** Excuse me?

15 **COMMISSIONER BROWN:** You may be right.

16 **MR. FRIEDMAN:** Okay. Thank you.

17 **COMMISSIONER BROWN:** Thank you.

18 **MR. FRIEDMAN:** And on the issue of the water  
19 audit, you know, it really is more appropriate for the  
20 S.V. case. And, boy, that sounds great, water audit,  
21 free, why shouldn't everybody do it. You have really  
22 got to look at -- when Mr. Reilly mentioned this to me,  
23 I said the same thing. I said, boy, that sounds like a  
24 no-brainer. And then I said, well, let's see what the  
25 water audit includes. So he got a copy of a water

1       audit that was done for, I think, the City of  
2       Monticello, or Madison, or somebody like that, they did  
3       it for a government. And when you actually look at  
4       what they did in the water audit, it's no different  
5       than what your staff does.

6                You look at what you billed, you look at what  
7       you pumped, you look at what you use for line breaks,  
8       you look at what was in line flushing. They do the  
9       same thing that the staff does here as a matter of  
10      course. It's just governments don't typically do that  
11      themselves. And so it's great for a government who  
12      doesn't do that to come in and have the Florida Rural  
13      Water Association come in and do that type of an audit.  
14      But for a utility like this, your staff does it as a  
15      matter of course. That water audit that Rural Water  
16      does doesn't do anything that isn't already done by the  
17      staff.

18               **MR. REILLY:** I guess I need to respond to  
19      that. I thought we are going to get to this with S.V.,  
20      but I think the characterization that Florida Rural  
21      Water Association's water audits is nothing more than  
22      what staff does, I strongly disagree with that  
23      characterization.

24                We did provide a copy of this, and this  
25      encompasses a lot of what they do, but they take it

1 from A to Z. They go and they look at all the  
2 production, they see whether your production -- well,  
3 meter is even accurate. And they take it all the way  
4 through. It is a forensic investigation that really  
5 does a lot more than leaks.

6 If they have, which is in the case of S.V.,  
7 one-third of all water is lost. The question is is all  
8 of that 23 -- is all that one-third loss going into the  
9 ground. And they have to verify, you know, where the  
10 water is going. And when it comes to irrigation, they  
11 can go -- they do go out into the zones, and they can  
12 evaluate what those zones can do, how many hours they  
13 run. They correlate it back to the meters to see  
14 whether the meters are working correctly. They see  
15 whether there are even irrigation lines that aren't  
16 connected to any meters.

17 **COMMISSIONER BROWN:** Thank you. I agree with  
18 you. Thank you.

19 **MR. FRIEDMAN:** Yes. And we are going to go  
20 into Gary Williams, and you know him well there, and he  
21 served on the Florida -- but, I believe staff didn't --  
22 on unaccounted for water -- well, we will get to S.V.

23 **COMMISSIONER BROWN:** Thank you. Thank you.

24 **MR. REILLY:** All right.

25 **COMMISSIONER BROWN:** Mr. Chairman, can I ask

1 one more question?

2 **CHAIRMAN GRAHAM:** Sure.

3 **COMMISSIONER BROWN:** Thank you.

4 Mr. Altman, I just want an understanding of  
5 the corporate structure of the relationship. I asked  
6 staff and they were unable, just an organization and  
7 who the affiliates are. Could you kind of run through  
8 that?

9 **MR. ALTMAN:** Are you asking for the legal  
10 ownership breakdown, or the ownership breakdown?

11 **COMMISSIONER BROWN:** All of the above. And  
12 really, I just don't understand CHC, what CHC owns.  
13 What the managing partner -- I understand there is the  
14 mortgage out there, and that only a portion of that is  
15 included in the rate base.

16 **MR. ALTMAN:** Right. CHC, and maybe this is a  
17 better question for Marty, but CHC VII is an entity  
18 that owns the land the mobile home lots are on, the  
19 mobile home lots. It owns the golf course; it owns  
20 everything. It owns the utilities; it owns everything  
21 in it. And, you know, for the purpose of this case,  
22 obviously, we carved out only the utility piece. We  
23 code all expenses, everything, you know, that are  
24 associated with our utilities, specifically with PSC  
25 codes that deal with that. So we carve that out.

1           But CHC as a whole owns the entire -- all the  
2 land, the operations, the golf course, the amenities.  
3 You know, S.V., which we will get to later, is a  
4 separate entity that just owns the utilities, the water  
5 and sewer, so they are different in that aspect.

6           Century Realty Funds is kind of an umbrella  
7 company, if you will. I think in this one -- is it the  
8 general manager, the general partner?

9           **MR. FRIEDMAN:** (Inaudible.)

10          **MR. ALTMAN:** Century Realty Funds, and that's  
11 the general partner. We have a corporate office that  
12 basically has the placard there.

13          You know, as the executive vice president, I  
14 oversee, you know, CHC VII, S.V., all the different  
15 mobile home parks. As I described earlier, a portion  
16 of my job or a percentage of my time goes to the  
17 operations and oversight of the utilities. And we have  
18 the breakdown here. Century Realty Funds is the  
19 general partner of CHC VII, and they have 10 percent.

20          **MR. FRIEDMAN:** And this was in the  
21 staff-assisted rate application, this information is in  
22 there.

23          **MR. ALTMAN:** Right. So each one, each legal  
24 entity has different ownership.

25          **MR. FRIEDMAN:** Basically, you have got

1 different limited partners, and you've got Century  
2 Realty Fund as the general partner.

3 **COMMISSIONER BROWN:** Then does that  
4 partnership, how many golf courses or mobile home or  
5 utilities does it own?

6 **MR. FRIEDMAN:** CHC?

7 **COMMISSIONER BROWN:** Uh-huh.

8 **MR. FRIEDMAN:** One.

9 **MR. ALTMAN:** CHC? Just one.

10 **COMMISSIONER BROWN:** No. The managing  
11 partner, Century Realty.

12 **MR. ALTMAN:** How many do they own?

13 **COMMISSIONER BROWN:** Uh-huh.

14 **MR. ALTMAN:** They don't own any.

15 **MR. FRIEDMAN:** They're the general partner or  
16 partnerships that own, what, four utilities that are  
17 regulated by the PSC?

18 **MR. ALTMAN:** Yes.

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

20 **MR. ALTMAN:** And these are not -- they are  
21 not affiliated. They are separate. CHC and S.V. are  
22 separate entities.

23 **COMMISSIONER BROWN:** Much clearer.

24 **CHAIRMAN GRAHAM:** Commissioner Balbis.

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

1 Chairman.

2 I have a few questions. And I don't recall  
3 if staff responded to OPC's concerns about the billing  
4 software and the fact that -- they indicated that the  
5 software was not allocated to the other utilities, and  
6 also the issue of the one-time cost not being  
7 capitalized. Could you respond to that?

8 **MR. MOURING:** Yes. I can take a crack at  
9 addressing the billing software. In response to a  
10 staff data request, the utility provided a breakdown of  
11 the incremental billing expenses. That included  
12 software. It does appear to have only been allocated  
13 amongst the two utilities. I'm not sure that it's  
14 providing service for the other regulated utilities or  
15 the unregulated utilities, that's something that may  
16 have been an oversight on staff's part.

17 **MR. LESTER:** Yes. The total amount the  
18 utility requested was about \$30,000. We took that down  
19 because they already had existing quarterly billing  
20 expenses down to 21,000, and then we split that between  
21 water and wastewater. In that 21,000 there is 4,500  
22 for software. We did not -- we expensed that. That  
23 has not been capitalized. Arguably it could be  
24 capitalized or amortized.

25 **COMMISSIONER BALBIS:** Okay. Then I guess a

1 question for Mr. Altman. Will that software be used  
2 for other utilities?

3 **MR. ALTMAN:** Yes. It will be used for two  
4 other utilities, as well.

5 **COMMISSIONER BALBIS:** Okay. And then, staff,  
6 I believe in the past that we have allocated expenses  
7 either through ERCs or other methods just to make sure  
8 that everyone receiving the benefit is paying for it,  
9 or at least customers aren't subsidizing another  
10 utility. What are our options on allocating those  
11 costs more appropriately, if that's what we want to do?

12 **MR. MOURING:** We have allocation percentages  
13 that I believe would be appropriate for this now based  
14 on lot counts. We would just have to get a little bit  
15 more information from the utility to determine whether  
16 or not they should be capitalized or amortized, but I  
17 believe we have the information we need right now to  
18 allocate those costs among other utilities.

19 **COMMISSIONER BALBIS:** Okay. And then, also,  
20 I have a question or a concern about the salaries and  
21 wages. And I appreciate, Mr. Altman, you indicating  
22 the duties that you perform associated with this  
23 utility. My question for staff is, what do we normally  
24 accept as justification for time spent or, you know,  
25 revenue that needs to be recovered associated with



1 that? I mean, normally don't we require time sheets or  
2 something more detailed, or just what is acceptable?

3 **MR. MOURING:** It kind of varies,  
4 Commissioner. Larger, more sophisticated utilities  
5 have that breakdown at a very granular level. Smaller  
6 utilities don't always. The Commission has approved  
7 salaries and wages based on estimates of time spent,  
8 activities performed. Similar to staff's review of  
9 rate case expense, sometimes that level of detail isn't  
10 available, and it is just based on estimates and do  
11 those estimates seem out of line.

12 Based on the number of employees listed and  
13 the time spent, based on what the utility has provided  
14 for staff, staff doesn't see anything there that's  
15 wildly out of line, again, based on the duties listed  
16 for each employee as well as the time allocated to  
17 utility business.

18 **COMMISSIONER BALBIS:** Okay. And, you know,  
19 we had a discussion previously on the retaining of  
20 Mr. Friedman and spending \$10,000 to represent them.  
21 And I would assume that, Mr. Friedman, you would be  
22 aware of some of the things that we require, so I'm  
23 surprised that that level of detail wasn't provided.

24 But, Mr. Chairman, if I could bounce around a  
25 little bit more?

1           **CHAIRMAN GRAHAM:** Sure; sure.

2           **COMMISSIONER BALBIS:** And that's the issue of  
3 rent. And, staff, I think you may have lost me a  
4 little bit on what you utilized to determine what the  
5 appropriate rent amount would be. Could you go over  
6 that one more time?

7           **MR. LESTER:** Okay. I used information, and I  
8 don't have it right in front of me here, but I used  
9 information straight out of their staff-assisted rate  
10 case application. And it's just a recognition that an  
11 allocation down to this utility from their managing  
12 partner to show that, you know, they obviously have  
13 people in offices doing some work, and that that  
14 overhead needs to be recognized. I'll try to dig up  
15 the workpaper here, but that's it in a nutshell.

16           **COMMISSIONER BALBIS:** Okay. And then my last  
17 question has to do with the Florida Rural Water  
18 Association audit. And I'm familiar with that  
19 organization, and they perform a lot of very good  
20 services for not only municipalities, but rural  
21 investor-owned utilities. What would be the harm in  
22 having them perform this free service, Mr. Altman?

23           **MR. FRIEDMAN:** Let me jump in a second on  
24 that. And I believe in the Florida Rural Water  
25 Association, and I'm one of two lawyer members of that

1 association, so I'm a supporter of the Florida Rural  
2 Water Association. And they serve a good purpose for a  
3 lot of our clients to do a lot of stuff.

4 The question is when you have got 6.1 percent  
5 excessive unaccounted for water, is it worth  
6 disrupting -- because they don't just come out there  
7 and do it all on their own and you never see, hear, or  
8 taste them. I mean, they are there, they are using --  
9 you know, Mr. Altman is going to spend his time, people  
10 on-site are going to spend their time. We can talk  
11 about it again when S.V. comes up, but when we have  
12 only got 6.1 percent excessive unaccounted for water, I  
13 don't think that's enough to justify the disruption of  
14 the normal operations of the utility to try to find  
15 6.1 percent.

16 And I'll be glad to talk about this in  
17 further detail when it may be relevant to the S.V. case  
18 if you want. But for this case, I don't think it  
19 should even be mentioned.

20 **COMMISSIONER BALBIS:** We have a customer here  
21 that has taken the time and effort to come here and  
22 present before us, and that was one of the issues that  
23 was raised by him, as well, and I know that 6.1 percent  
24 may not sound like a lot, but it's 6.1 percent above  
25 the threshold that we deem to be excessive. So by

1 definition it is excessive. And it's no cost to the  
2 customers, and maybe you can elaborate exactly what  
3 disruptions there would be and how that would be a  
4 detriment.

5 **MR. FRIEDMAN:** And let me say this, that I  
6 don't know of any -- this is not the only utility that  
7 has had 6.1 percent excessive unaccounted for water.  
8 And I don't know any instance where this Commission has  
9 ever done anything other than its typical reducing  
10 electric and chemical expense when you have got minor  
11 excessive unaccounted for water. And so I think you  
12 would be -- you're setting a precedence by what you are  
13 thinking about doing with regard to a case that only  
14 has 6.1 percent excessive unaccounted for water. And I  
15 will let Mr. Altman explain to you, you know, what  
16 disruption that would be in the normal operation of his  
17 mobile home communities.

18 **MR. ALTMAN:** Well, I think starting off it  
19 just feels like this one is being lumped in with S.V.  
20 when this one doesn't have the same issue that S.V.  
21 does, and just because. And I'm sure that I'm not --  
22 I'm not sure that Mr. Nicely knew that without counsel  
23 that's exactly what he wanted done. But what I would  
24 say as far as disruption goes, you know, we have -- I  
25 mentioned we have guys that are employed by us, our

1 staff, that repair lines, that check meters, that are  
2 out in the field checking lift stations, and this will  
3 take time away from them and myself.

4 And we don't have a large staff. As you can  
5 see by our -- you know, being a small utility, we have  
6 a very small staff, and then I have to pay overtime and  
7 then I have to pay -- you know, draw them away from  
8 other projects that we are working on. So I know it  
9 sounds like it's not a lot, but I have a feeling that  
10 it will take significant amounts of time away from my  
11 guys in the field when we have such a small staff and  
12 overworked already. You know, I think it will take  
13 away from their normal time and cost us more in  
14 overtime probably.

15 **MR. REILLY:** Could we possibly comment real  
16 quickly on unaccounted for water?

17 **COMMISSIONER BALBIS:** Sure. Go ahead.

18 **MR. REILLY:** Real quickly, we are  
19 mischaracterizing this utility a little bit on the  
20 little bit of unaccounted for water. In truth, the  
21 unaccounted for water even in this utility is really  
22 26.74 percent. Staff in its analysis, unlike S.V., did  
23 a little more looking at the unaccounted for water  
24 problem and actually calculated and figured that some  
25 of this unaccounted for water was actually unbilled

1 water. So they put in 8,370,000 gallons of imputed  
2 gallons sold.

3 Once they did that adjustment, it brought the  
4 unaccounted for water down from what was unbilled from  
5 26 percent unaccounted for down to 16.1 percent  
6 unaccounted for. And then by the time they did the  
7 10 percent, you know, allocation, that's what brought  
8 it down to 6.1. So just saying we don't have any  
9 unaccounted for problem in this utility is not exactly  
10 the case, because staff did more adjustments in this  
11 case than they did in S.V.

12 **MR. FRIEDMAN:** That is what unaccounted for  
13 water is.

14 **MR. REILLY:** Excuse me?

15 **MR. FRIEDMAN:** That's what unaccounted for  
16 water is. You take it and you figure out what the  
17 water comes from that is not billed, and that's things  
18 like finding a meter that wasn't reading accurately or  
19 wasn't read and you estimate what it's going to use.  
20 Leaks, other things, you know, fire hydrant testing.  
21 You know, those are things -- that's what unaccounted  
22 for water is. You start with a number and you try to  
23 identify what those other uses are and you get it down  
24 where it's not unaccounted for. So what is done in  
25 determining that it is only 6.1 percent unaccounted for

1 water is exactly what you do in every case.

2 **MS. HELTON:** Mr. Chairman?

3 **CHAIRMAN GRAHAM:** Yes, ma'am.

4 **MS. HELTON:** May I add another wrinkle which  
5 I'm reluctant to add, but I think it's one that y'all  
6 should consider in this discussion about the rural  
7 group who conducts the free audits.

8 **CHAIRMAN GRAHAM:** Wrinkle away.

9 **MS. HELTON:** As you know, you have broad  
10 authority in setting rates. And as Mr. Friedman  
11 acknowledged, your staff has an ability to go onto the  
12 grounds of utilities and inspect facilities and inspect  
13 the books, and so we have a lot of ability to look at  
14 that.

15 And that is acknowledged by the legislature  
16 in 367.121, Subsection 2. And there the legislature  
17 said that the Commission during all reasonable hours  
18 may enter into any premise occupied by any utility and  
19 set up and use thereon any necessary apparatus and  
20 appliance for the purpose of making investigations,  
21 inspections, and examinations. So the Commission can  
22 do that, and it also says that the Commission's duly  
23 authorized representatives may do that.

24 I don't think we are in a situation here,  
25 because I don't think the Commission has a relationship

1 with this rural authority for that authority to be a  
2 duly authorized representative of the Commission. I  
3 think that that is something that it sounds like a good  
4 idea to me, sitting here not being an engineer and not  
5 being an accountant, for the utility to agree to this  
6 group going on and looking at the facilities and doing  
7 whatever necessary to conduct the audit. But I'm not  
8 comfortable telling you today that that utility with  
9 whom you do not have a relationship is a duly  
10 authorized representative of the Commission.

11 **CHAIRMAN GRAHAM:** And I don't think that was  
12 the path that Commissioner Balbis was going down to try  
13 to jam this down anybody's throat. I think he was just  
14 asking out of curiosity. And I agree with him that,  
15 you know, what is the harm in doing this?

16 **MS. HELTON:** And I think that is a very fair  
17 question. I just felt like I needed to say that.

18 **CHAIRMAN GRAHAM:** Fair enough.

19 Commissioner Balbis.

20 **COMMISSIONER BALBIS:** I think those are all  
21 the questions I had for now.

22 **CHAIRMAN GRAHAM:** Okay. I see no lights on,  
23 so maybe someone wants to make a motion.

24 Commissioner Brown.

25 **COMMISSIONER BROWN:** Thank you. Before we



1 get into that, there is one other little issue --

2 **CHAIRMAN GRAHAM:** Sure.

3 **COMMISSIONER BROWN:** -- I do want to talk  
4 about. It is on page -- where did it go -- the rate  
5 structure on Page 19.

6 You know, staff recognizes that this is a  
7 seasonal customer basis, but this particular utility  
8 has covenants and restrictions that actually require  
9 them to keep -- thank you for being here -- and staff  
10 has graciously provided us with some options that I  
11 believe were distributed. But this to me doesn't seem  
12 like a truly -- it may be seasonal, but the covenants  
13 and restrictions require the customers to irrigate year  
14 round.

15 The average demand is over 5,000 gallons, but  
16 staff is recommending a nondiscretionary amount of  
17 3,000 gallons. So, you know, I had some trouble with  
18 that, agreeing with that. And staff went ahead and  
19 prepared this handout comparing the different levels of  
20 water nondiscretionary. And to me it's, I think,  
21 because of that, in this particular instance alone,  
22 because of those covenants and restrictions that  
23 actually require them, I think it's more appropriate to  
24 say that the 5,000 is a more appropriate  
25 nondiscretionary. So I would be more inclined to

1 supporting the third option that they proposed for the  
2 water. I just want to throw that out there.

3 **CHAIRMAN GRAHAM:** Commissioner Balbis.

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

6 I agree with Commissioner Brown on 5,000  
7 gallons being more appropriate and wanted to add  
8 another justification for that. Previously these  
9 customers have only had the quarterly billing that  
10 equated to 8,000 gallons per month of usage being the  
11 first block or threshold. And with that, they have an  
12 average of 5,600 gallons per month. And to go to the  
13 staff's recommended 3,000 gallons when they have never  
14 had an indicator or price signal before, other than the  
15 8,000, I think, is dramatic. But that, and based upon  
16 the same assessment that Commissioner Brown indicated  
17 on that, they do have covenants that require  
18 irrigation. I don't believe that 3,000 is appropriate  
19 and 5,000 would be.

20 **CHAIRMAN GRAHAM:** Okay.

21 **COMMISSIONER BALBIS:** Mr. Chairman, if I  
22 could make one more comment?

23 **CHAIRMAN GRAHAM:** Sure.

24 **COMMISSIONER BALBIS:** And I just want to  
25 understand what staff indicated on the allocation of

1 the billing software. Since the utility indicated that  
2 there were two other utilities that would utilize the  
3 billing software, how could we move forward today, and  
4 how could we direct staff to move forward, if my  
5 colleagues agree, to do the proper allocation of the  
6 billing software?

7 **MR. MOURING:** Generally, what we need to  
8 determine first would be whether or not to capitalize  
9 the software or just to amortize it. And I don't know  
10 if the utility is able to comment on that here and now,  
11 but in terms of allocation percentages, we would be  
12 relying on the same lot number allocation that we use  
13 for salaries as well as other allocated expenses.  
14 Really that's the information we need. Would this be a  
15 recurring upgrade to the software system over time, or  
16 is this kind of a one-time-only capital project. And,  
17 again, I'm not sure if the utility can answer that here  
18 and now. If they can, we can give you direction on how  
19 we need to --

20 **MR. FRIEDMAN:** Do you want me to respond to  
21 that, Commissioner?

22 **COMMISSIONER BALBIS:** Yes.

23 **MR. FRIEDMAN:** I mean, typically if you  
24 bought -- this is new software. It's not upgraded,  
25 it's just new software.

1           Typically, you would amortize that software  
2 over whatever -- I think the Commission rule is four or  
3 six years or something. Yes, six years. The  
4 Commission rule has got six years for software. You  
5 would normally expect that is what you would do.

6           **COMMISSIONER BALBIS:** What would be the net  
7 effect of that if we were to continue to amortize that  
8 cost or capitalize it?

9           **MR. MOURING:** If we were to capitalize that  
10 cost of the, I think it's \$4,500 -- am I right, Pete?

11           **MR. LESTER:** Yes, that's correct.

12           **MR. MOURING:** \$4,500 for CHC, they would get  
13 1/5th or 1/6th of that in depreciation expense and earn  
14 a return on the unamortized portion of it. It would  
15 not be a lot of dollars. Maybe about 1,200, just  
16 guessing, worth of revenue requirement.

17           **COMMISSIONER BALBIS:** And what is our normal  
18 practice, because I know we have dealt with billing  
19 software on other dockets?

20           **MR. MOURING:** Typically it would be  
21 capitalized, Commissioner.

22           **COMMISSIONER BALBIS:** Okay.

23           Well, Mr. Chairman, I don't know if we are in  
24 a position for a motion. I have had all of my concerns  
25 addressed. And with some slight modifications to

1 staff's recommendation, I'd be prepared to move forward  
2 with that.

3 **CHAIRMAN GRAHAM:** Would you like to go  
4 through issue-by-issue?

5 **COMMISSIONER BALBIS:** That would be fine with  
6 me.

7 **CHAIRMAN GRAHAM:** All right. Commissioner  
8 Balbis, let's take a stab at it.

9 **COMMISSIONER BALBIS:** Thank you, Mr.  
10 Chairman.

11 On Issue 1, I move staff's recommendation on  
12 that issue.

13 **COMMISSIONER EDGAR:** Second.

14 **CHAIRMAN GRAHAM:** It has been moved and  
15 seconded, staff recommendation on Issue 1. Further  
16 discussion?

17 Seeing none, all in favor say aye.

18 (Vote taken.)

19 **CHAIRMAN GRAHAM:** Commissioner Balbis.

20 **COMMISSIONER BALBIS:** Thank you,  
21 Mr. Chairman.

22 On Issue 2, I move staff's recommendation on  
23 that issue, as well.

24 **CHAIRMAN GRAHAM:** Issue 2, staff  
25 recommendation. It has been moved and seconded. Any

1 further discussion?

2 Seeing none, all in favor say aye.

3 (Vote taken.)

4 **CHAIRMAN GRAHAM:** Any opposed?

5 We have moved staff recommendation on Issue  
6 2.

7 Let's just do this the easy way. Let's move  
8 staff recommendation on all issues, except for the ones  
9 you want to change.

10 **COMMISSIONER BALBIS:** Thank you. And that  
11 would be Issue 6 and, I believe, Issue 8.

12 **CHAIRMAN GRAHAM:** You want to change Issue  
13 6 and 8, so your motion is moving staff recommendation  
14 on Issues 3, 4, 5, 7, 9, 10, 11, and 12, is that  
15 correct?

16 **MR. MOURING:** I'm sorry, Commissioner,  
17 Issue 3 would change as a result of capitalizing that  
18 software system. The capitalized portion would be  
19 moved into rate base.

20 **CHAIRMAN GRAHAM:** Okay. So he is moving  
21 staff recommendation on 4, 5, 7, 9, 10, 11, and 12.

22 **MR. MOURING:** Yes. There would be fallout  
23 for that on -- Issue 5 would change, 6.

24 **COMMISSIONER EDGAR:** Mr. Chairman, just a  
25 suggestion, but if there are Commissioners that would

1 like to propose adjustments to the staff  
2 recommendation, perhaps we could consider those  
3 adjustments individually and then see what issues that  
4 would impact.

5 **CHAIRMAN GRAHAM:** So let's go straight to  
6 Issue Number 6. We have already approved 1 and 2.

7 Commissioner Balbis, Issue Number 6.

8 **COMMISSIONER BALBIS:** Okay. Mr. Chairman, on  
9 Issue 6, I move that we direct staff to make the  
10 adjustments to properly allocate the billing software  
11 so that this utility's customers only pay for their  
12 appropriate portion of the billing software, and then I  
13 know this bleeds into Issue 3, but also to capitalize  
14 the cost of the software.

15 **CHAIRMAN GRAHAM:** That's a motion and second.  
16 Any further discussion on the Balbis motion on Issue  
17 Number 6?

18 Seeing none, all in favor say aye.

19 (Vote taken.)

20 **CHAIRMAN GRAHAM:** Any opposed?

21 By your action you have approved the Balbis  
22 motion on Issue Number 6.

23 Okay. Issue Number 8. Commissioner Balbis.

24 **COMMISSIONER BALBIS:** Mr. Chairman, I move  
25 that we direct staff to set the rate structure to

1 reflect the 5,000-gallon nondiscretionary tier.

2 **CHAIRMAN GRAHAM:** It has been moved and  
3 seconded to change staff recommendation to  
4 5,000 gallons on Issue Number 8. I have Commissioner  
5 Brown.

6 **COMMISSIONER BROWN:** Thank you.

7 I have a question for staff. Do we need to  
8 be consistent for water and wastewater when setting the  
9 levels of nondiscretionary usage?

10 **MS. BRUCE:** Can you please repeat that  
11 question, I'm sorry?

12 **COMMISSIONER BROWN:** Do we need to be  
13 consistent with water and wastewater when setting the  
14 levels for nondiscretionary usage to that 5,000, based  
15 on our discussion here today?

16 **MS. BRUCE:** Yes.

17 **COMMISSIONER BROWN:** Okay. I just wanted a  
18 clarification, Commissioner Balbis.

19 **CHAIRMAN GRAHAM:** Commissioner Edgar.

20 **COMMISSIONER EDGAR:** And I was just going to  
21 ask what I think is kind of the same question to  
22 Commissioner Balbis. For my clarification for me, does  
23 the motion apply to both the water and wastewater  
24 portions of the rate structure?

25 **COMMISSIONER BALBIS:** It does now, yes.



1 (Laughter.)

2 **COMMISSIONER EDGAR:** And I am supportive of  
3 that.

4 **CHAIRMAN GRAHAM:** That is a friendly  
5 amendment, and it has been seconded. Any further  
6 discussion on the Balbis amendment to Issue Number 8?  
7 Seeing none, all in favor say aye.

8 (Vote taken.)

9 **CHAIRMAN GRAHAM:** Any opposed?  
10 By your action you have approved the Balbis  
11 amendment on Issue Number 8.

12 Are there any other issues, and we'll take  
13 all the fallouts from those changes, any other specific  
14 changes to the other issues remaining, which are 3, 4,  
15 5, 7, 9, 10, 11, and 12, other than the fallouts?

16 Seeing none, Commissioner Edgar.

17 **COMMISSIONER EDGAR:** Mr. Chairman, I would  
18 move that we approve the staff recommendation with the  
19 exception of the adjustment that we have made in the  
20 prior two adopted motions and ask staff to make  
21 whatever adjustments are necessary to reflect those  
22 changes.

23 **CHAIRMAN GRAHAM:** That has been moved and  
24 seconded. Any further discussion on the motion?  
25 Commissioner Brown.

1                   **COMMISSIONER BROWN:** I just have to ask, with  
2 regard to the Florida Rural Water Association for this  
3 particular utility, I am kind of torn, and I think we  
4 have to address that somewhere. So I'm looking to you  
5 all on your thoughts, too.

6                   **CHAIRMAN GRAHAM:** Well, I guess my question  
7 is, what are you -- are you making a suggestion, or do  
8 you just want to debate?

9                   **COMMISSIONER BROWN:** I want to hear. I don't  
10 want to debate. I want to hear. I would like to hear  
11 thoughts. I'm torn on this particular utility and  
12 whether it would be helpful, rather than unnecessary.

13                   **CHAIRMAN GRAHAM:** Well, I'll jump in here,  
14 because I don't see anybody's lights coming on. I'm  
15 right along the line where Commissioner Balbis was when  
16 he asked the question. You know, I saw that there was  
17 going to be an audit that this group was looking to do,  
18 and there's no charge to the audit. I didn't take into  
19 account the disruption of service or disruption of  
20 manpower that went into that audit. And I can  
21 understand that, because someone has got to walk them  
22 around the plant, point them to the different  
23 directions, and make sure they are turning the right  
24 things on and the right things off, and so have you.  
25 So I get the fact that it does take manpower and time.

1           And as was said earlier, there may be more of  
2 an issue on Item Number 11 rather than this one. And  
3 as Mary Anne had said, it's not like this is something  
4 we can force them to do. I mean, we can make  
5 suggestions and talk about it, but that's where I stand  
6 on this.

7           Commissioner Balbis.

8           **COMMISSIONER BALBIS:** Thank you,  
9 Mr. Chairman.

10           As I said previously, I think this  
11 association does a lot of good work. And the utility  
12 are members of it; Mr. Friedman, you're one of the  
13 attorneys that are part of it or part of that  
14 organization, so you should recognize the service they  
15 provide, and that's something that members pay for.

16           Going through and doing this inspection, I  
17 know we have staff and they are very qualified staff,  
18 but they are also stretched, as well. So to say that,  
19 well, we have already had someone look at that, I don't  
20 think there would be any harm in doing so.

21           Now, from a legal standpoint, can we force  
22 them to do it? I'm not going to challenge Ms. Helton  
23 on that, but I am surprised to hear that the utility is  
24 not willing to move forward with it. I think that, you  
25 know, when I ran a utility system I was always looking

1 for ways to improve the system. And if there was a  
2 free service that could be provided, I certainly would  
3 look into it. And I can't see any downfall to that.

4 There might be some time and some disruption,  
5 but if at the end of the day you improved the system,  
6 what could the harm be with that? So those are my  
7 thoughts. I don't know if our hands are tied or not to  
8 make them do it, but, you know, I look at the utility  
9 as having a good relationship with their customers.  
10 And that's part of quality of service, and it's not an  
11 issue now, but maybe it will be in the future.

12 **MR. FRIEDMAN:** And nothing is free. I mean,  
13 it's a cost. The company has got, you know, you do a  
14 cost/benefit analysis on it. The company is going to  
15 spend its time with its employees, including Mr. Altman  
16 to do this. And the question is is there a  
17 cost/benefit to that? And with this amount of  
18 unaccounted for water, the fact that they already  
19 proactively acquired the property to -- the equipment  
20 to go ahead and do those leak detections on their own,  
21 I don't think in this system that the cost in manpower  
22 and disruption justifies even getting that service from  
23 them for free.

24 **COMMISSIONER BALBIS:** Mr. Chairman, can I  
25 make another comment to staff?

1           **CHAIRMAN GRAHAM:** Sure.

2           **COMMISSIONER BALBIS:** Staff, could you go  
3 over that adjustment that you made for unaccounted for  
4 water that OPC indicated that brought it down to the  
5 16.1 percent, and why didn't you just stick with the  
6 higher number?

7           **MS. WATTS:** Melinda Watts for staff. Do you  
8 mean the higher number, the 23 percent? Because with  
9 the unaccounted for water, what we are looking for is  
10 water that we, you know, do not know where it's going,  
11 and indicates it may be a leak. We do know that we had  
12 the unbilled meters, that that water was being used and  
13 is not just leaking into the ground. And so for the  
14 excessive unaccounted for water, we believed that it  
15 was appropriate to go to the 6.1 percent for that.

16           **COMMISSIONER BALBIS:** Okay. Can you  
17 elaborate a little bit as to -- I mean, unaccounted for  
18 water in the big picture is, you know, the water  
19 produced and leaving the plant and what is billed for,  
20 correct?

21           **MS. WATTS:** Yes.

22           **COMMISSIONER BALBIS:** And the difference  
23 between the two. So if you have meters that are  
24 unbilled, how are you -- why are you discounting that  
25 from unaccounted for water?

1           **MS. WATTS:** Because we were able to get some  
2 billing data to impute the gallons that those had been  
3 using, and --

4           **COMMISSIONER BALBIS:** What billing data that  
5 were not being billed?

6           **MS. BRUCE:** Commissioner Balbis, Sonica  
7 Bruce. The utility provided us billing data for 14  
8 unbilled irrigation customers, and I imputed -- the  
9 billing data that was provided, we annualized the data  
10 and we determined that it was 8.3 million, or  
11 8.4 million gallons that we determined.

12           **COMMISSIONER BALBIS:** But it wasn't billed?

13           **MS. BRUCE:** No, it was billed from May -- no,  
14 it wasn't billed. I'm sorry, it was not billed. No,  
15 it wasn't. It was unbilled irrigation customers. It's  
16 unbilled.

17           **COMMISSIONER BALBIS:** Okay. So how is that  
18 not considered unaccounted for water if it is not  
19 billed?

20           **MS. DANIEL:** Commissioner, Patti Daniel on  
21 behalf of staff. Just to help Sonica out just a little  
22 bit, when we did the analysis we first looked at the  
23 gallons that were billed. When we discovered that  
24 there were some unbilled gallons, we added those  
25 additional gallons in the calculation of the bill so

1 that it's as though those gallons were, in fact, billed  
2 because of the way we added them to the billing  
3 analysis.

4 **COMMISSIONER BALBIS:** Are they going to be  
5 billed in the future?

6 **MS. DANIEL:** They will be.

7 **COMMISSIONER BALBIS:** And so they are metered  
8 now, and you have data that shows that -- or you  
9 accounted for that additional revenue?

10 **MS. DANIEL:** Correct.

11 **COMMISSIONER BALBIS:** How did you determine  
12 the amount of water that they were using if it wasn't  
13 billed or metered?

14 **MS. DANIEL:** Was it metered part of the year?  
15 They did read the meters for part of the  
16 year, and so they annualized those gallons.

17 **COMMISSIONER BALBIS:** Okay. Let me think  
18 about that for a second.

19 **CHAIRMAN GRAHAM:** Okay. Commissioner Brown.  
20 Did you hear enough? Would you like to make  
21 a motion?

22 All right. Well, we still have the motion  
23 that Commissioner Edgar put on the floor and it has  
24 been seconded, and I haven't heard any other amendment.  
25 So seeing no further discussion, all in favor of the

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Edgar amendment signify by saying aye.

(Vote taken.)

CHAIRMAN GRAHAM: Any opposed?

By your action we've amended and approved and  
are done with Item Number 5.



1 STATE OF FLORIDA )

2 : CERTIFICATE OF REPORTER

3 COUNTY OF LEON )

4  
5 I, JANE FAUROT, RPR, Chief, Hearing Reporter  
6 Services Section, FPSC Division of Commission Clerk, do  
hereby certify that the foregoing proceeding was heard  
at the time and place herein stated.

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

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

13 DATED THIS 17th day of April, 2014.

14  
15 

16 -----  
JANE FAUROT, RPR  
17 Official FPSC Hearings Reporter  
(850) 413-6732