

1 Mr. Steve George, who is a customer of this utility.
2 And then I have a surprise guest, Walter Ogara, who
3 surprised me with his attendance, and he wanted to
4 address the Commission. He drove up this morning. So
5 without further adieu, I'll yield, if that's your will.

6 **CHAIRMAN GRAHAM:** What was the second name?

7 **MR. REILLY:** It's Walter Ogara, O-G-A-R-A.

8 **CHAIRMAN GRAHAM:** All right. Let's start
9 with Mr. George. Mr. George, welcome.

10 **MR. GEORGE:** Thank you. Thank you for the
11 opportunity to address you, Chairman and Commissioners.

12 Steve George, I live in Swiss Village where
13 S.V. Utilities is our utility company. They also
14 service Hidden Cove West and Hidden Cove East, adjacent
15 parks down the road.

16 And our people are so concerned about how
17 much water has been used. Staff has shown that there
18 is 32 percent of unaccounted water. You know, that's a
19 tremendous amount of water. When you look at that to
20 have, you know, 22.8 million gallons of water
21 unaccounted for. That computes to about 62,000 gallons
22 a day 365 days a year that's unaccounted for, you know,
23 unbilled. That, you know, we don't, as far as we see
24 in our park and other parks, there's no water that's
25 leaking into the ground, as being marsh or a wet area

1 anywhere that, you know, water could just be laying
2 there.

3 How can that be possible? As you all know,
4 we pay 15.71 for our 8,000 gallons. When you look at
5 the amount of water that we purchased was 47 million.
6 All right. If you take 705 customers, multiply it by
7 8,000, which is our monthly allowment, multiply that
8 times 12, it comes out to 67 million gallons. We only
9 used 47 million. And here we are as customers not
10 using all that we are really entitled to, we are
11 so-called paying for it in our 15.71, have an allotment
12 of 8,000 gallons. And we are not using
13 20 million gallons, and yet the utility company has got
14 22.8 million gallons that it can't account for that
15 possibly, you know, should have been billed.

16 And we just think that's such a disparity
17 that it's really unfair. I'm sure you've heard this
18 before, but, you know, we are all old people living on
19 limited income. Our rates and rent and all of that is
20 predicated on CPI. And we do get a boost from COLA,
21 and they sort of offset each other. If these rates
22 were to go through as proposed, you know, we would be
23 paying over triple of what we are paying now. I know
24 it doesn't sound like a lot what we are paying now, but
25 to us, you know, to have that triple would really be

1 harmful for our welfare.

2 And we just don't think it's fair that -- you
3 know, where is all this water? I'm not sure -- why
4 can't it be accounted for? You know, it just can't be
5 running loose, running around. You know, at
6 62,000 gallons a day, that's astounding. So we feel
7 like that there should be, you know, considerable
8 adjustment made to what's being proposed. Thank you.

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

10 **MR. REILLY:** Thank you. Our next customer
11 speaker is Walter Ogara.

12 **CHAIRMAN GRAHAM:** Mr. Ogara, welcome.

13 **MR. OGARA:** Thank you for having me. It's a
14 heck of a ride up here, I'll tell you, this morning.
15 I've never been to Tallahassee.

16 I need to push this on. Okay, now I'm on.
17 Thank you for having me. I appreciate the opportunity
18 to talk before the Commission. My background is in
19 water. I worked 36 years for the City of Fall River
20 Water Department in Massachusetts. The last six years
21 I was the director of distribution and maintenance.

22 I ran a water system that serviced 100,000
23 people. We pumped 12 to 14 million gallons of water a
24 day, had 18,000 customers, 3,000 fire hydrants. I was
25 in charge of the entire maintenance operation, held all

1 the appropriate licenses in Massachusetts. Had I lost
2 32 percent of the water that we put out, I wouldn't
3 have had a job. First of all, the State of
4 Massachusetts would have come in and demanded that we
5 find where the water was going.

6 This has been going on since the last SARC or
7 before. When you go back and look at all the annual
8 reports that the company is required to make, they tell
9 the State of Florida they are losing this water. The
10 State of Florida has done nothing to find it.

11 In the staff's recommendation it says service
12 is satisfactory. So we are going to give the company a
13 rate increase for satisfactory service? I think we
14 should have good service, not satisfactory. If I gave
15 people satisfactory service when I was working, nobody
16 would have been too happy. And, like I said, I
17 wouldn't have been in my position long.

18 Talk about water shutoffs and stuff. There
19 is a permanent sign on the bulletin board in our park
20 that says anytime the water goes off you are to boil
21 the water for 24 hours. That's a permanent sign. Yet
22 in the staff case it only lists two or three times when
23 water was shut off and a boil water order was
24 recommended. It has happened more than two or three
25 times in the last couple of years alone.

1 Routinely the water goes off. The company,
2 to its credit, did go out and put in a lot of new
3 valves to try to help isolate areas in the park, but
4 apparently it still doesn't work because routinely they
5 shut off all three parks to fix a leak, which is
6 unacceptable.

7 Irrigation. All of your irrigation customers
8 listed, the only irrigation customers are the company.
9 There are no private customers who are irrigation
10 customers. We are not allowed, as far as I know, and I
11 don't know if we will be allowed in the future to put
12 in separate irrigation meters. I know we can back
13 where I was in charge of, the people were allowed to
14 put in a separate irrigation meter so you didn't have
15 to pay the sewer end because you weren't using the
16 sewer service. I see no provisions or nothing in any
17 of these reports or any of these recommendations that
18 say we are going to -- that we would have the same
19 opportunity or any set-up to do that.

20 Like you say, we are in our prospectus
21 required to irrigate. As far as the usage goes, I have
22 been monitoring my usage very closely. I haven't
23 irrigated in over a month because we have had -- quite
24 frankly, we didn't need to irrigate. It has been
25 raining hard enough. We've had enough rain in the

1 area. And it's only me and my wife in the house, and
2 we are using close -- just about 3,000 gallons with no
3 irrigation. So, consequently, if I was irrigating, I
4 would probably double that figure. So that figure,
5 based on the 3,000 gallons, like I heard you talking in
6 the other case, you are definitely right, 3,000 gallons
7 is way too little to base that threshold on. It
8 doesn't make sense. Not if we are required to
9 irrigate.

10 And, again, I think we should be afforded the
11 opportunity to purchase another meter, pay for the
12 plumbing or whatever we have to do to hook in our
13 irrigation system separately if we want to. I mean, I
14 know I would gladly pay for another meter to save that
15 change. Because over the -- I don't expect to die next
16 year, so I expect to be using their water. And I love
17 the park, and I love where I live. And, frankly, Mr.
18 Altman and his people do a wonderful job running the
19 facility. But these rate increases --

20 And the other thing I'm kind of upset with is
21 how did the staff actually raise -- after all these
22 issues were brought up at customer meetings and
23 customer complaints about unaccounted for water, poor
24 service, this and that, the staff actually went up on
25 their final recommendation from the initial

1 recommendation on their rates. The rates went higher,
2 which makes no sense at all. If anything they should
3 have come down a little bit. And what we pay -- is
4 what we are paying now -- the structure is improper.

5 We all should be looking to conserve water,
6 and that's the main -- we did it back at home. Rates
7 were changed, just like you are saying here, the more
8 you use the more you pay, and that's the way it should
9 be to promote conservation, and especially here in
10 Florida. We all work off the same aquifer. Whether
11 I'm buying my water from S.V. Utilities, or from the
12 local city, or government, or whatever, it's all coming
13 out of the ground. It's all coming from the same
14 place.

15 And, yes, we should conserve, but I also
16 think the company should conserve. And they also
17 should do some kind of a survey to find out what is
18 going on, whether it is unmetered, leaking, or
19 whatever. Also, in one of their answers we found some
20 of the unaccounted for water, it was too big leaks in
21 two of the pools. Well, shouldn't the water be metered
22 going to the pools? Shouldn't they be paying for the
23 water they are using to fill the pools? So if there is
24 a leak going to the pool, it should be metered water,
25 so it's not unaccounted for water, or it shouldn't be.

1 **CHAIRMAN GRAHAM:** Thank you, sir. Hold on
2 for a question, please.

3 **MR. OGARA:** Okay.

4 **COMMISSIONER BRISÉ:** Thank you, Mr. Ogara.
5 Thank you for being here with us this morning. One
6 quick question. You mentioned the boil water notices,
7 and you said that that was happening routinely.

8 **MR. OGARA:** Well, it happens -- I noticed in
9 the staff report it says that the company gave them
10 certain dates that a boil water notice was granted.

11 **COMMISSIONER BRISÉ:** Sure.

12 **MR. OGARA:** It happens a lot more than the
13 two or three dates that are in the report.

14 **COMMISSIONER BRISÉ:** Okay.

15 **MR. OGARA:** And it happens. At least they
16 have to shut the water off, they have to repair it.
17 I'm not, you know, questioning any of that. And they
18 do it in a timely manner. They shut down, they do
19 their thing, and they do it efficiently. But to say
20 that the water was only shut off two or three times and
21 a boil water -- I don't know if they mean a formal boil
22 water order was issued by a local, you know, health
23 department or whatever, but we have this notice in our
24 bulletin board. Any time the water pressure goes down
25 it says or water goes off, boil your water for 24

1 hours. What does that tell you? That it's happening
2 more than two or three times in the last year. And,
3 you know, it happens. Leaks happen. I mean, it's not
4 their fault if they get a leak and they have got to
5 shut the water off to fix it.

6 **COMMISSIONER BRISÉ:** Okay.

7 **MR. OGARA:** I understand that. Believe me, I
8 shut a lot of people's water off over the years when I
9 worked, and they weren't too happy about it.

10 **COMMISSIONER BRISÉ:** Sure.

11 **MR. OGARA:** It happens.

12 **COMMISSIONER BRISÉ:** But if you can tell me
13 for the last year around how many times did you
14 actually --

15 **MR. OGARA:** I would say at least half a dozen
16 times, and that's a conservative estimate. I don't
17 want to overestimate and, you know, lie to you. That's
18 conservatively.

19 And, again, it usually doesn't go off for
20 long. But if you go off and you lose pressure, you
21 could have a condition happen, you could have a
22 problem. And that's the notice that the company put up
23 in the clubhouse, nobody else.

24 **COMMISSIONER BRISÉ:** Sure.

25 **MR. OGARA:** That if the water goes off, boil

1 your water for 24 hours.

2 **COMMISSIONER BRISÉ:** Thank you.

3 **CHAIRMAN GRAHAM:** Thank you, sir. Thank you
4 for coming down.

5 **MR. OGARA:** Thank you for having me.

6 **CHAIRMAN GRAHAM:** Mr. Reilly.

7 **MR. REILLY:** Yes. Well, that concludes our
8 customer testimony. As far as OPC's issues that we
9 would like you to consider, we are going to be at one
10 point talking about those same four subparts of
11 operating expenses, but we do want to get into the very
12 important Issue 5 test year revenues.

13 **CHAIRMAN GRAHAM:** All right. Before we get
14 into that, let's let the utility just speak to the two
15 customers' concerns, and then we will get back to Ms.
16 Vandiver.

17 Mr. Friedman.

18 **MR. FRIEDMAN:** Thank you. Marty Friedman on
19 behalf of the utility. With me also is Mr. Brian
20 Altman.

21 I mean, other than the unaccounted for water
22 issue, I'm not sure I heard anything particularly
23 negative. The last gentleman said some very kind
24 things for which we are appreciative. But on the
25 unaccounted for water, and that's obviously what's

1 going to probably be the bulk of your concern with
2 regard to this utility based upon the prior
3 discussions, you know, the utility has taken proactive
4 steps. They did have 15 million gallons in excessive
5 unaccounted for water. And that's the test year, which
6 was a June test, end of June 2013 test year.

7 The end of May they did find a big leak which
8 wouldn't be reflected that could have been, like,
9 3 million gallons of water that they lost in that leak.
10 In December of 2013 they found a one-inch -- leak in a
11 one-inch water line that probably could have been, they
12 are estimating, maybe half a million gallons. And
13 then, as I mentioned, they used the equipment from
14 Florida Rural Water Association and started a leak
15 detection program before that equipment was given back.
16 And they did find some leaks there, as well.

17 So their estimate is that when you look at
18 post-test year losses, water losses, that you are
19 really looking at probably 10 million, which is still a
20 lot of water, but it's not 15 million. You are
21 probably looking at 10 million gallons of excessive
22 unaccounted for water instead of 15.

23 **CHAIRMAN GRAHAM:** Okay. Mr. Reilly.

24 **MR. REILLY:** Okay. As concerning Issue 5,
25 obviously the customers are very concerned about test

1 year revenues and whether they have, in fact, been
2 properly established. As we have spoken over and over
3 again, obviously there is a tremendous amount of
4 unaccounted for water issue. Thirty-two percent,
5 almost one-third of all the water pumped. The staff
6 could not determine the cause of all the unaccounted
7 for water and resolved the issue by giving S.V.
8 Utilities the normal 10 percent unaccounted for water
9 allowance and then applied a 22 percent adjustment to
10 purchased power and chemical expenses to remove from
11 O&M expenses the incremental cost of producing the
12 remaining unaccounted for 15.6 million gallons of
13 water. This O&M adjustment was for \$2,943.

14 The only way this adjustment could adequately
15 account for and hold the company -- hold the customers
16 harmless for the company losing one-third of all of its
17 water production is if all the 23 million gallons of
18 unaccounted for water somehow leaked out of the system
19 and was lost. That would represent, as has been talked
20 about, 63,000 gallons per day 365 days in this
21 geographically very small little three mobile home
22 community.

23 The customers strongly suggest that this is
24 not the case. The customers believe that some material
25 portion, unknown at this point, which is a part of this

1 23 million gallons was, in fact, utilized by customers
2 of the utility but not accounted and paid for. Making
3 a small adjustment to O&M expense for producing this
4 15.6 million gallons of water in no way holds the
5 customers harmless, if millions of gallons of water
6 were actually used by customers but not included in
7 test year revenues. The customers believe it is
8 important to perform a more detailed water audit of
9 this utility to see if we can better estimate the
10 amount of lost revenue that can be attributed to
11 unbilled/underbilled water usage.

12 In addition to the improbability of this
13 amount of leaking in these relatively small mobile home
14 parks, there is the added concern about the water usage
15 reported for the general service meters that actually
16 serve the clubhouses and irrigate the common properties
17 and are paid for by the park owner, which is also the
18 owner of the utility. Swiss Village is the largest
19 park with 380 residential customers and nine general
20 service meters. Hidden Cove West is the next largest
21 with 243 customers and 11 general service meters. And
22 Hidden Cove East is the much smaller park with only 82
23 customers and four general service meters.

24 Notwithstanding the great disparity in size
25 of the parks, the utility reported that year gallons

1 sold, the test year gallons sold from the general
2 service meters serving the small Hidden Cove East park
3 was at 1,071,000 gallons. The usage reported for the
4 general service meter serving the much larger parks was
5 reported at 632,400 for Swiss Village and only 419,000
6 for Hidden Cove West. To the customers, these readings
7 reported by the utility suggest that the general
8 service usage for Swiss Village and Hidden Cove West
9 parks were underreported causing test year revenues to
10 be understated.

11 Another concern of the customers is a
12 dramatically different staff recommendation concerning
13 test year revenues in this staff-assisted rate case
14 versus S.V. Utilities last SARC filed in 2007. In the
15 2007 case, the company reported test year revenues of
16 73,559. But staff, after reviewing all of the billing
17 data presented in that case, determined actual test
18 year revenues were 122,565.

19 After the staff's preliminary report was
20 issued, the company withdrew the case and did not
21 refile until this instant case. The question arises
22 what does Public Counsel propose to do to better
23 understand the significant unaccounted for water
24 problem at S.V. Utility and to better identify and
25 account for test year revenues. Our office contacted

1 the Florida Rural Water Association and received a
2 commitment from its Executive Director, Gary Williams,
3 to perform a free-of-charge water audit of S.V.
4 Utilities that will provide a comprehensive analysis of
5 all of S.V.'s production, transmission, and sale of
6 water. The Florida Rural Water Association is an
7 association of water utilities dedicated to assisting
8 its members to achieve more efficient operations and to
9 improve and to encourage conservation of our most
10 finite water resources.

11 Commissioner Brown, you, of course, remember
12 Mr. Williams; he was a very active member of the water
13 study committee. The Florida Rural Water Association
14 has performed hundreds of these detailed water audits
15 in the past, and I understand that their personnel is
16 very skilled in studying the unaccounted for water
17 problems and determining their causes and proposing
18 practical solutions.

19 It is the customer's belief that performing
20 this independent expert water audit is our best hope of
21 understanding the unaccounted for water problem and to
22 better estimate the water usage and test year revenues.
23 Now you say now here we are at this point in the
24 proceeding, how do we proceed? I would recommend that
25 after we go through all the contested issues that will

1 eventually determine the revenue requirement in this
2 case, we request that rather than issuing this as a
3 final order, that we would ask that you issue the
4 approval of the recommendation on the revenue
5 requirement, but issue the rate increase that results
6 from your decision today on a temporary basis.

7 Allow the rates to go into effect right away,
8 but basically you have a lot more time to finalize that
9 rate and to finalize your decision. Because October 4,
10 2013, is the official filing date of this case, and
11 statutorily the Commission has 15 months or until
12 January 2015 to issue its final order. This provides
13 the Commission plenty of time to order the free audit
14 and to issue an order to establish final rates with
15 three months to spare.

16 I say that time frame is there because it is
17 my understanding this audit can be completely finished,
18 analyzed, recommendations made within 90 days. It's my
19 request that staff then be able to take this audit,
20 review it, and to be able to come back to this
21 Commission and ask for final rates to be established.
22 That could be done within 60 days time.

23 If you do this exercise, I really believe
24 it's our best chance to get it right on the rates and
25 really get it right in a way that in no way holds

1 harmless the utility. It's basically going to be able
2 to get its rates pretty much after you vote. And, in
3 fact, there is no, even, exposure in terms of refunds
4 or anything because the revenue requirement has been
5 set, and it's really just going to be a redesigning of
6 the rates in terms of base facility charge and
7 gallonage. That rate should produce, even at the end
8 of this process, the same revenue requirement.

9 So the reason why I'm asking for the
10 temporary rates instead of voting it out as permanent
11 is, of course, the problem of rate case expense in
12 staff-assisted rate cases. If you, in fact, decide the
13 case, get the revenue requirement decided and then vote
14 it to out as a proposed final agency action, the only
15 recourse to the customers at that point would be to
16 file a protest of that portion of the case. And we, of
17 course, have a potential exposure of generating rate
18 case expense that could eliminate the value of the
19 issue. That is always a problem in staff-assisted rate
20 cases.

21 So my proposal to get around the problem of
22 rate case expense and the fact that we are in the
23 context of a staff-assisted rate case is hold everybody
24 harmless, make it be a win/win. Decide the case, issue
25 it as temporary rates, allow the study to happen, give

1 your staff 60 days to review the study and come back
2 with a recommendation. They may recommend no change in
3 rates, they may recommend some kind of a change in
4 rates. Because through the audit we have reasonably
5 calculated that there was this portion of the
6 unaccounted for water that was, in fact, unmetered,
7 unrecorded, and should have been income.

8 And that's where the money is. The money in
9 helping these people with this rate increase isn't the
10 \$2,900 O&M adjustment. It's getting the pot right on
11 the revenue side, and no adjustment was made at this
12 point.

13 **CHAIRMAN GRAHAM:** I think everybody agrees
14 with the fact that nobody wants to see it coming back
15 for another full blown rate case. But the first
16 question I have of staff is is it even possible what he
17 is talking about doing, temporary rates and then coming
18 back and adjusting them final later?

19 **MS. HELTON:** I don't know if you want to have
20 Mr. Friedman address it first. I have some thoughts,
21 but I don't know if you wanted to hear from
22 Mr. Friedman first.

23 **CHAIRMAN GRAHAM:** All right. Hold on a
24 second. Commissioner Edgar, did you have a question?

25 **COMMISSIONER EDGAR:** I did. Thank you,

1 Mr. Chairman.

2 Mr. Reilly, in your comments to us a moment
3 ago, you asked us to order a free audit by the Florida
4 Rural Water Association. But my understanding from Ms.
5 Helton's comments earlier is that our legal office
6 doesn't -- and if I get this wrong, jump in -- but that
7 our legal office has concerns that we don't have the
8 statutory authority to do that. Do you disagree?

9 **MR. REILLY:** I do disagree with that. But
10 before I even face that issue, Gary Williams and the
11 Rural Water Association, they can accomplish more if
12 the water company is cooperating and working with them.
13 Needless to say, I think we would have a more
14 effective, better. And so it is my hope that through
15 the direction of this Commission and your bully pulpit,
16 shall we say, strongly suggest that the company should
17 take advantage of this opportunity.

18 They are being held harmless. You know, they
19 are getting their rates. Whatever the study reports,
20 it reports. Obviously that would be a better situation
21 for the Rural Water to go down there. Nevertheless,
22 even if there is not cooperation, they have their
23 techniques and ways where probably a lot could be
24 accomplished. Probably not as much. So that's my
25 first request, is that through the discussion of this

1 Commission we can get the company to agree.

2 **COMMISSIONER EDGAR:** Okay. But your words to
3 us were we, which I assume is OPC, are asking that you
4 order an audit, and now you are changing that to --

5 **MR. REILLY:** No, I'm not. I'm saying that if
6 that process does not occur, as I hope it will, and the
7 company says no, notwithstanding the fact that
8 one-third of our water, you know, we are just not going
9 to let Rural Water Association step on our property,
10 then I do believe, and I strongly believe the
11 Commission says we have this association that are
12 experts in this field, we have a serious problem with
13 this utility. We have asked you to allow them to come
14 on your property; you have said no, we do not want them
15 to come on the property. We order you to allow the
16 Florida Rural Water to come onto your property to get
17 this problem and to present a report that our staff can
18 look at and bring back to us for further action.
19 Absolutely I do.

20 **COMMISSIONER EDGAR:** I would just say,
21 Commissioners, obviously there are some issues here
22 that we need to address, and I hope that we can through
23 our discussion. I do have a little concern about that
24 approach, but I'm sure we can come up with a way to
25 work our way through it. Thank you.

1 **CHAIRMAN GRAHAM:** Commissioner Brisé.

2 **COMMISSIONER BRISÉ:** And maybe I'm getting
3 ahead of myself. As Commissioner Edgar mentioned, the
4 whole notion of ordering the Florida Water Association
5 to -- I mean, the Rural Water Association to do the
6 audit, what recourse do we have if we were to go down
7 that path and the company just basically says, you
8 know, we're not allowing them to step on our property?
9 What recourse do we have as a Commission?

10 **MS. HELTON:** Well, if we were to order them
11 today, I don't know that we are putting ourselves in a
12 very good posture to do so, and that is because of the
13 language in 367 that says the Commission or its duly
14 authorized representative may go onto the property and
15 inspect and investigate. Based on my knowledge of this
16 case, I don't believe we have any kind of relationship
17 right now with the Rural Water Association. It may be
18 that we could develop such a relationship at a later
19 date and put ourselves in a posture where we could
20 order a utility to allow them to go on, but I don't
21 feel comfortable telling you today definitively that we
22 can do that. I think there are some concerns on my
23 part.

24 **CHAIRMAN GRAHAM:** Commissioner Balbis.

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

1 Chairman.

2 I guess to start, you know, Ms. Helton, I
3 think your idea of developing a relationship in the
4 future, I think that might warrant some additional
5 thought, and I think it might be a good idea.

6 But back to this case, I guess, first of all,
7 I'd like to ask Mr. Altman, would you be willing to
8 have the Florida Rural Water Association conduct the
9 audit?

10 **MR. FRIEDMAN:** I'm sorry, I was speaking to
11 Mr. Altman and did not hear your question.

12 **COMMISSIONER BALBIS:** Well, I don't think
13 anyone has asked you if you would be willing to have
14 the Florida Rural Water Association conduct the audit,
15 so I'm asking if you would be willing to do that.

16 **MR. FRIEDMAN:** Yes, we will.

17 (Laughter.)

18 **MR. FRIEDMAN:** I was going to jump in on the
19 conversation, but y'all looked like you were having so
20 much fun that I thought I'd wait.

21 (Laughter.)

22 **COMMISSIONER BRISÉ:** There goes that.

23 **COMMISSIONER BALBIS:** And I appreciate that,
24 and I think that solves that entire issue. Because I
25 look at, you know, a utility looking to improve the

1 operating conditions of their plant and facilities as
2 part of quality of service, so I think it ties into
3 that. And I think that the utility willing to conduct
4 the audit indicates that they are attempting to address
5 customer satisfaction, et cetera, which all ties into
6 quality of service. So I'm glad to hear the utility is
7 willing to do so.

8 **MR. FRIEDMAN:** Yes, we will. I'm not as
9 optimistic as Mr. Reilly is that it really is going to
10 present the kind of result that we would hope that it
11 would present, but we certainly would afford that
12 opportunity.

13 **CHAIRMAN GRAHAM:** Mr. Reilly.

14 **MR. REILLY:** Thank you. I guess that
15 resolves that issue. And then the only one is this
16 little prickly problem I have got about having to
17 protest versus not protest, and the idea of just given
18 the liberal time that we have statutorily left in the
19 staff-assisted rate case, I have recommended that you
20 take the issues you're going to take today, vote out a
21 final, you know, a recommendation on final revenue
22 requirement, then whatever the resulting rate is
23 produced by that, allow the company to go and put it
24 into place immediately. But during that time -- but
25 that's on a temporary basis, temporary rates. So you

1 have not issued today a recommended, quote, final
2 order. That allows us to avoid this whole issue of
3 rate case expense and just keeping the door open to at
4 least giving the benefit to the customers, if we do, in
5 fact, define a revenue and find revenue that would
6 allow for a slight reduction in, you know, a different
7 rate design.

8 So that is, I guess, my last request is to
9 vote out a revenue requirement, and whatever the
10 resulting rates, order that to be put into place on a
11 temporary basis. Within 90 days, you know, the report
12 would be filed, giving your staff 60 days to review the
13 filing and recommendations and come back to you with a
14 recommendation on establishing the final rate design.
15 No change of revenue requirement, just to define the
16 final rate design. That all could be accomplished
17 within a couple or three months ahead of the statutory
18 deadline of having to issue a final order in a
19 staff-assisted rate case.

20 **CHAIRMAN GRAHAM:** Mr. Reilly, I understand
21 that part. Was there anything else in the rate case
22 that you had any questions or concerns with?

23 **MR. REILLY:** Oh, I'm sorry. Yes, there is.
24 I'm sorry, there are those four components of the
25 operating expenses. I misunderstood you.

1 **MS. VANDIVER:** Yes, Commissioners. My name
2 is Denise Vandiver with the Office of Public Counsel,
3 again.

4 And for the most part we have the same issues
5 with the rent, the professional fees that include
6 outside vendors that appear to us to duplicate the
7 salary expense for the licensed operators on staff, the
8 software that is being annualized and the salary
9 expense.

10 But one additional item that I'd like to
11 address for this case is in salary expense also. As I
12 said before, the salary expense includes the licensed
13 operators that maintain the system, the park employee
14 that manages the park as well as the general utility
15 operations, and the corporate officer.

16 I'd like to address a little more
17 specifically in this case the park manager and park
18 maintenance person. In this case, the customers have
19 pointed out to us that the park manager also manages
20 the Cypress Creek Village Community. We also found his
21 name on a homeowners association newsletter for Cypress
22 Creek, and we don't believe that the allocation for his
23 and the maintenance person's salary includes that park
24 and we believe that that should be adjusted in this
25 case.

1 **CHAIRMAN GRAHAM:** Thank you.

2 Mr. Friedman, the first question comes down
3 to the idea of approving this rate case, I guess,
4 temporarily and doing the audit and coming back and
5 readjusting. And I had asked staff to comment about
6 that, and they asked for you to comment first. Let's
7 hear your comment on that part.

8 **MR. FRIEDMAN:** Thank you very much,
9 Mr. Chairman and Commissioners.

10 I don't think so. I don't think that that
11 forestalls a mechanism to accomplish what OPC wants to
12 accomplish, which is at some point in the future if
13 there is some adjustment to be done that there is still
14 a mechanism to do that. And when Mr. Reilly says that
15 it doesn't affect the revenue requirement, that may or
16 may not be true.

17 If you look at the water audit that was done
18 for that city by Florida Rural Water Association, they
19 made certain recommendations at the end of their report
20 as to what they thought should be done in order to
21 lessen unaccounted for water in the future. And what I
22 would suggest is if they made those recommendations in
23 this case and it resulted in the utility expending
24 capital resources to do what they said, obviously
25 subject to you all's approval, I would expect that the

1 utility would be able to recover any of those capital
2 costs.

3 If you expected -- in other words, if at the
4 end of the report you expected the utility to take the
5 recommendations of the Florida Rural Water Association
6 and that recommendation said go out and spend \$100,000,
7 then I would hope that this Commission would include
8 that \$100,000 appropriately in a rate adjustment. Just
9 as if they came back and said, oh, you had a meter over
10 here that wasn't recorded, and it should have recorded
11 a million gallons a year, therefore, there should be a
12 reduction because of that. It should go both ways.

13 But I think that what the Commission should
14 do is to go ahead and enter an order in the case, keep
15 it open if they need to to deal with the results of
16 that, and I know we have done the same kind of things
17 in other cases where you have improved a rate increase
18 and then you had something that was going to be done,
19 or you thought was going to be done in the future and
20 you revisited it at a future time. But I think that
21 the rates should be final rates that go into effect.

22 And if this water audit shows some adjustment
23 is necessary one way or the other, then, you know, we
24 should consider that in a future agenda and y'all take
25 the appropriate action. But calling it temporary

1 rates, I don't know if there's any authority of the
2 Commission to adopt temporary rates.

3 **CHAIRMAN GRAHAM:** Actually, temporary rates
4 were my words. I don't remember -- I don't think
5 Mr. Reilly said those.

6 **MR. FRIEDMAN:** I think he did. Yes, he did.

7 **CHAIRMAN GRAHAM:** Mary Anne.

8 **MS. HELTON:** One thing I wanted to make clear
9 is Mr. Reilly has talked in terms of your decision
10 today being final. You don't have the authority today
11 to issue a final order on rates for this company, so I
12 wanted to make sure everybody understood that.

13 Section 367.0184, I think it is, which is the
14 staff-assisted rate case section, does talk about
15 temporary rates in that statute, but it talks about
16 temporary rates being set if there is a protest to your
17 order that you would issue today. So the legislature
18 has contemplated temporary rates in the staff-assisted
19 rate process, but it's not for the reasons that Mr.
20 Reilly has suggested.

21 That being said, the Commission has set
22 temporary emergency rates in limited proceedings when
23 companies have come before you and given a justified
24 reason why rates should be set outside of the
25 staff-assisted process or outside of what we call the

1 file-and-suspend process in 367.081. So there have
2 been times when the Commission has set temporary or
3 emergency rates outside of the normal ratemaking
4 process, but that is not explicitly set out by the
5 legislature in any of the statutes, and it's definitely
6 not explicitly set out by the legislature in the
7 staff-assisted process.

8 And I'm a little bit uncomfortable with
9 Mr. Reilly's use of time here saying that if we were to
10 use the temporary process, then we'd have three months
11 at the end for wiggle room. Well, the 15 months is
12 given to you to work these cases so that if there is a
13 protest everyone has time to conduct a hearing.

14 I don't think that three months is enough
15 time to conduct a hearing if there would be a protest,
16 so I'm a little bit concerned about the use of time
17 here, as well.

18 **CHAIRMAN GRAHAM:** Well, my question to you,
19 couldn't you accomplish the same thing by just moving
20 forward with this case as we have with the PAA and
21 coming up with what we say are the final rates and then
22 doing the audit afterwards, and then coming back as a
23 limited proceeding to make any changes based on that
24 audit?

25 **MS. HELTON:** That was actually Mr. Teitzman's

1 idea.

2 **CHAIRMAN GRAHAM:** Understandable.

3 (Laughter.)

4 CHAIRMAN GRAHAM: All right. Commissioner
5 Brown, your light was on at one time, and then I was
6 going to go back to Mr. --

7 **COMMISSIONER BROWN:** Mr. Friedman, I am
8 talking to you. Question. You said that the utility
9 is taking proactive measures to address this excessive
10 unaccounted for water other than the purchase of the
11 equipment, the leak detection equipment that you just
12 received yesterday. You know, this is an issue that
13 has been going on since way before the last rate case,
14 six years. It's a longstanding issue. Do you recall
15 what that amount was in the last rate case, the
16 excessive unaccounted for water?

17 **MR. FRIEDMAN:** No clue.

18 **COMMISSIONER BROWN:** I just am curious of
19 what proactive measures are you really taking other
20 than the purchase of the leak detection, which you just
21 got it yesterday.

22 **MR. FRIEDMAN:** Yes, but we used the leak
23 detection equipment that Florida Rural Water
24 Association provided us, and, in fact, found some leaks
25 using that equipment. But they needed their equipment

1 back. And instead of getting in line to wait for it
2 again, they just went out and bought the same equipment
3 themselves to go ahead and do it themselves.

4 **COMMISSIONER BROWN:** Is there anything else
5 you are doing since that last rate case?

6 **MR. FRIEDMAN:** Yes. They did things
7 everybody does, check meters. When you see a meter
8 that, based on the meter reading, that you think is
9 running slow, you look at it.

10 Anything else?

11 **MR. ALTMAN:** (Inaudible. Microphone off.)

12 **COMMISSIONER BROWN:** I'm happy to hear that
13 you are embracing FRWA's audit. I think that is a good
14 suggestion, something you probably should have done six
15 years ago.

16 **MR. FRIEDMAN:** Yes. Nobody thought about it
17 six years ago.

18 **COMMISSIONER BROWN:** Were you on the board
19 then?

20 **MR. FRIEDMAN:** I was a member six years ago.
21 I've been a member of Florida Rural Water for 15 years.

22 **MR. ALTMAN:** Commissioner Brown, could I?
23 And this by no means is trying to pat myself on the
24 back, but I think that the gentleman behind me that
25 spoke, the gentleman who was in my job prior to me did

1 not spend much time with the utilities and I have made
2 it a priority.

3 And so I think in prior, in the prior case
4 there wasn't much emphasis given to this. And you can
5 ask Marty. I mean, I have poured a lot of time and
6 effort into this, and we have refocused our staff
7 within the last year to really -- once I was alerted to
8 this and have learned this process and about utilities,
9 we have made it a focus, and we have begun, you know,
10 working on the valves. We have made it a focus of our
11 staff and our managers, as well. So internally it's a
12 different -- we're in a different situation right now,
13 so there is more focus.

14 **COMMISSIONER BROWN:** I'll leave that alone.

15 **CHAIRMAN GRAHAM:** Mr. Altman, my question to
16 you, going back to Commissioner Balbis' question about
17 doing the audit. So I guess my question is, so you
18 agree to allow them to come on and do the audit, and
19 I'd say within the next 120 days?

20 **MR. ALTMAN:** Yes, sir.

21 **CHAIRMAN GRAHAM:** Okay.

22 Next. Mr. Friedman, let's go back to
23 Ms. Vandiver's issues on the extra employee that was
24 spending time at different locations.

25 Please, Mr. Altman.

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

2 **MR. FRIEDMAN:** Let me interrupt. You know,
3 three of the issues were identical, so we'll leave
4 those alone, and Mr. Altman will deal with the park
5 manager and park maintenance guy issue.

6 **CHAIRMAN GRAHAM:** Thank you.

7 **MR. ALTMAN:** Yes. The manager in question,
8 Russ Latin (phonetic), does also manage the Cypress
9 Creek Village Community for us. It is in development.
10 It is a very small community. It is not built out yet.
11 He spends -- he does spend some time there. It is
12 minimal. The majority of his time is spent at the --
13 at Swiss Village. And as you can imagine, the larger
14 number of residential lots in the community dictates
15 more of his time.

16 The time allotted to the utilities allocation
17 that we came up with did encompass that. We did
18 consider that, you know, what portion of his overall
19 time does he spend on the water, billing the water.

20 **CHAIRMAN GRAHAM:** So you're saying this
21 wasn't something that was overlooked, that you agree
22 that the amount that you have allocated to this utility
23 is factual?

24 **MR. ALTMAN:** Yes, sir.

25 **CHAIRMAN GRAHAM:** Okay.

1 Commissioners? Commissioner Balbis.

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

4 And just to touch upon the final rates, the
5 temporary rates, and all of that discussion. I agreed
6 with your suggestion that maybe the cleanest way would
7 be to move forward with this, and as the results come
8 back that we will take a look at that then.

9 But to jump around to different issues, I
10 would have similar comments and concerns about the
11 billing software of capitalizing it and also having a
12 proper allocation, since it is being used for other
13 utilities. So when we get to that point, I just wanted
14 to cover the same issues. And also the same issue on
15 rate structure that I had along with Commissioner Brown
16 before on the 5,000 gallon tier as being the
17 nondiscretionary at this time.

18 **CHAIRMAN GRAHAM:** Well, I don't see anybody
19 else's lights on now, so let's go with the ones you
20 want to make amendments to, and then we can go ahead
21 and use the Edgar amendment again to make sure that
22 everything falls out correctly.

23 **COMMISSIONER BALBIS:** Okay. Considering that
24 the utility is agreeing to have the audit performed, I
25 would not recommend a change to Issue 1. But moving on

1 to Issue 6, it would be authorizing staff to make the
2 adjustments to capitalize the billing software and also
3 to make the changes to the allocations appropriately.

4 **CHAIRMAN GRAHAM:** All right. That's moved
5 and seconded. Any further discussion on the Balbis
6 amendment on Issue 6?

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 6.

12 **COMMISSIONER BALBIS:** And, Mr. Chairman, on
13 Issue 8 for both the water and wastewater systems to
14 change the tiers to the zero to 5,000 gallons being
15 nondiscretionary for both water and wastewater systems.

16 **CHAIRMAN GRAHAM:** It has been moved -- I'm
17 sorry, it has been moved and seconded, the Balbis
18 amendment on Issue Number 8. And I take it that also
19 includes the wastewater like last time?

20 **COMMISSIONER BALBIS:** Yes.

21 **CHAIRMAN GRAHAM:** Any further discussion on
22 that amendment to Issue Number 8?

23 Seeing none, all in favor say aye.

24 (Vote taken.)

25 **CHAIRMAN GRAHAM:** Any opposed?

1 By your action you have approved the Balbis
2 amendment on Issue Number 8.

3 Were those the two? Commissioner Edgar.

4 **COMMISSIONER EDGAR:** Mr. Chairman, I move
5 adoption of the staff recommendation modified by the
6 adjustments we have just approved to Issue 6 and to
7 Issue 8, and direct our staff to make whatever
8 adjustments they need to on fallout issues for the
9 numbers to work out.

10 **CHAIRMAN GRAHAM:** That has been moved and
11 seconded.

12 Further discussion? Commissioner Brown.

13 **COMMISSIONER BROWN:** Thank you.

14 And I'm just going to go back to that Florida
15 Rural Water Association audit discussion that we just
16 had. Would it be helpful to have in our order some
17 type of language that the utility acknowledged? I
18 think it would be helpful, so I just want some
19 confirmation here. So how do we incorporate that in
20 this motion, if we need to?

21 **MS. HELTON:** You can direct staff to include
22 in the order that the company acknowledged today that
23 it was willing and had agreed to enter into an
24 agreement with the Rural Waterworks Association for
25 them to conduct an audit as discussed.

1 **COMMISSIONER BROWN:** If that's acceptable, I
2 would like --

3 **COMMISSIONER EDGAR:** I will accept that as a
4 friendly amendment.

5 **COMMISSIONER BROWN:** Thank you.

6 **CHAIRMAN GRAHAM:** It has been amended and
7 seconded. Any further discussion?

8 Seeing none, all in favor say aye.

9 (Vote taken.)

10 **CHAIRMAN GRAHAM:** Any opposed?

11 By your action you have approved Item Number
12 11 as amended. Thank y'all very much.

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STATE OF FLORIDA)

: CERTIFICATE OF REPORTER


COUNTY OF LEON)

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

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

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

DATED THIS 17th day of April, 2014.



JANE FAUROT, RPR
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