

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

APPLICATION FOR STAFF-ASSISTED)
RATE CASE IN HIGHLANDS COUNTY BY) DOCKET NO. 130243-WS
LAKE PLACID UTILITIES, INC.)
_____)

PROCEEDINGS: CUSTOMER MEETING

COMMISSION STAFF

PARTICIPATING: DICK DURBIN
ADAM HILL
CURT MOURING
MATTHEW VOGEL
MELINDA WATTS

DATE: Thursday, April 4, 2014

TIME: Commenced at 6:00 p.m.

PLACE: Deeann Lakefront Estates Clubhouse
409 Stephen Drive
Lake Placid, Florida

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

P R O C E E D I N G S

1
2 **MR. MOURING:** Ladies and gentlemen, I've got
3 6:00, so we'll go ahead and get started. We're here
4 tonight for the Lake Placid Utilities, Inc.
5 staff-assisted rate case customer meeting. It's Docket
6 130243-WS.

7 My name is Curt Mouring. I'm a Public
8 Utilities Supervisor at the Florida Public Service
9 Commission. With me tonight is Matthew Vogel, Melinda
10 Watts, Adam Hill, and Dick Durbin, also from the
11 Commission.

12 Generally what these customer meetings are for
13 is we're going to give you a brief presentation on the
14 Commission's process for staff-assisted rate cases,
15 we're going to receive some comments from you guys, and
16 you'll be called in the order in which you signed up.
17 And we will be recording your comments.

18 Just a quick overview of our presentation.
19 We're going to discuss again the Commission's process in
20 reviewing a staff-assisted rate case. We're going to go
21 through staff's preliminary rates; and I want to stress
22 that these are preliminary, they are tentative, they may
23 change. We're still in a fact-finding stage, and we'll
24 discuss what you can do to participate in the process.

25 But, first, just a brief history on Lake

1 Placid Utilities, Inc. They began providing water and
2 wastewater service in 1969. They came under the
3 Commission's jurisdiction and were certificated in 1983.
4 Utilities, Inc. purchased this system in 1993, and the
5 utility's last staff-assisted rate case was in 2009.

6 What is a staff-assisted rate case or a SARC?
7 It's the process where Commission staff assists small
8 water and wastewater utilities with rate relief
9 requests. And staff's assistance typically eliminates
10 the need for utilities to hire outside consultants for
11 accounting/engineering type of issues and usually
12 reduces the amount of rate case expense.

13 What are the steps involved in a SARC? On
14 September 30th, Lake Placid Utilities, Inc. filed its
15 application for a staff-assisted rate case. Our
16 Commission audit staff conducted an examination of the
17 utility's books and records. Our staff engineers have
18 conducted a review of the utility's operations and have
19 contacted the Department of Environmental Protection
20 regarding this utility. A staff report has been
21 prepared, and staff's preliminary findings and
22 preliminary rate increases are included in that staff
23 report.

24 We are now holding the customer meeting to
25 receive input from our customers -- from the customers.

1 I'm sorry. After this meeting, staff will prepare and
2 file its recommendation to the Commission with its
3 proposed rates. The recommendation will be heard by the
4 Commission, and staff will consider, in preparing its
5 final recommendation, input and information obtained
6 subsequent to its preliminary staff report for its
7 recommendation to the Commission. And, again, staff's
8 preliminary numbers are subject to change.

9 For the staff recommendation and agenda, at
10 the Commission Conference the Commissioners may ask
11 questions of staff prior to voting on staff's
12 recommendation. The utility and customers may speak at
13 this Agenda Conference. And at the conclusion of it,
14 the Commission may approve, modify, or deny staff's
15 recommendation.

16 I'm sorry. If you do plan on attending the
17 Agenda Conference, please let staff know that you're
18 there in advance. We have in this Special Report that
19 you received when you walked in, there is the contact
20 information for staff members on page two here. So if
21 you do plan on coming up to Tallahassee to attend the
22 Agenda Conference, please let staff know.

23 After the agenda, after the vote, the
24 Commission will issue a PAA order within 20 days of the
25 vote. Once that PAA order is issued, a 21-day protest

1 period will start where any substantially affected party
2 other than the utility may protest the order and request
3 a formal hearing. The utility -- as part of the SARC
4 process, the utility must agree to accept final rates
5 and charges set by the Commission unless they produce
6 less revenues than the existing rates and charges.

7 If a timely protest is filed, a hearing will
8 be held in the service territory or as close as
9 possible. There will be three, at least three
10 Commissioners there for the hearing. The utility and
11 protesting parties will litigate the issues, provide
12 testimony and exhibits, and fully litigate all issues
13 that are protested. Customers may testify before the
14 Commissioners -- before the Commission at the hearing,
15 if there is one.

16 Once the hearing is concluded, staff will
17 prepare another recommendation based on the testimony
18 given at the hearing. No participation from the utility
19 or customers will be permitted at the final Commission
20 Agenda. A final vote will be made and a final order
21 will be issued. The final order may only be appealed to
22 the First DCA of Florida.

23 Now some specifics on Lake Placid. Per the
24 utility's books and records, they were operating --
25 that's the first column there -- the utilities for water

1 and wastewater. Those are the numbers per the utility
2 for operating income on both water and wastewater. And
3 the column on the right, staff's preliminary, is
4 inclusive of all staff's adjustments to the utility's
5 numbers. So what those translate to in the rates -- and
6 those are also listed in the Special Report -- the base
7 charge for water was -- is currently \$13.85. We're
8 tentatively recommending \$17.81 for a three -- for a 5/8
9 by 3/4-inch meter size. And the water charge, the
10 gallonage charge is presently \$5.80 per 1,000 gallons.
11 We're recommending \$7.54. And, again, these are
12 tentative preliminary numbers.

13 On the wastewater side, presently \$13.94 base
14 charge and a \$5.75 per 1,000 gallon usage charge with
15 the 6,000 gallon cap. Staff is recommending a
16 \$14.18 base charge and a \$6.44 usage charge with the
17 same 6,000 gallon cap.

18 Bill comparisons at different usage levels for
19 2,000 gallons, 6,000, and 8,000. Our first two columns
20 are with the existing rates for water and wastewater.
21 The second two columns would be the total bill with
22 staff's preliminary rates right now just for
23 illustrative purposes. A similar analysis is included
24 in here at the bottom of the page.

25 Specifically for Lake Placid, staff's

1 recommendation is tentatively, tentatively scheduled to
2 be filed on May 22nd, which will have us presenting this
3 to the Commissioners on June 5th, 2014. And, again, at
4 that June 5th Agenda, the Commission may approve,
5 modify, or deny staff's recommendation.

6 What can you do to participate? You can
7 provide comments at today's meeting; you can provide
8 written comments; you can obtain a copy of the staff's
9 recommendation once it's been filed; and you can monitor
10 the agenda; or you can appear in person, if you'd like
11 to make the trip.

12 Here's a copy of the staff report -- or
13 Special Report again. And as you see, right below the
14 name of the utility it's got the docket number on it.
15 Yeah. It's kind of hard to see on that screen, but it's
16 Docket No. 130243. And I'll show you where you can use
17 that if you'd like to view all the correspondence in
18 this docket.

19 If you'd like to provide written, written
20 correspondence for this case, the last page here, you
21 can pop that off, you can fill this out, fold it up, put
22 a stamp on it, and it's already got the Commission's
23 address and docket number on it so you can just mail it
24 in to the Commission. They'll scan it in and it'll be
25 entered into the docket -- the correspondence side of

1 the docket file for all, including Commissioners, to
2 view.

3 This is our website, *www.FloridaPSC.com*. And
4 if you'd like to look up this docket, if you go to, if
5 you go to -- I think you can maybe see it -- Commission
6 Clerk or Clerk's Office, you can query this docket
7 number, 130243, and it'll bring you to this case. You
8 can file every -- you can find every docket -- document
9 that's been filed in this docket.

10 Also, if you go to Conferences and Meeting
11 Agendas, you can stream -- on June 5th, you can stream
12 live the audio and video coverage of the Commission --
13 of the Agenda Conference, if you'd like to watch it on
14 your computer. You can also just stream the audio, if
15 you'd like. But that's available to you, also.

16 I don't see any representatives from the
17 Office of Public Counsel here, but they are the advocate
18 for consumers in the state. They advocate before the
19 Commission on the consumers' behalf. There's their
20 800 number and their website.

21 The Florida Public Service Commission consumer
22 assistance 800 number -- if you have questions regarding
23 all things regulated utility, you can give them a call.
24 If they can't answer it, they can certainly point you to
25 the right person who can.

1 And just in closing, we're going to move to
2 our customer comments portion of the customer meeting.
3 Just a reminder, this meeting is being recorded, and
4 customers will be called in the order in which they
5 spoke -- which they signed up. And please come forward
6 when your name is called, give your name, spell your --
7 give your name, your address, and please spell your last
8 name.

9 So we're going to get started and we will go
10 ahead and call --

11 (Pause in proceedings.)

12 Okay. Mr. Larry LaBeau.

13 **MR. LABEAU:** I don't know if you want me to
14 stand or --•

15 **MR. MOURING:** That would be fine just right
16 there.

17 **MR. LABEAU:** Are these comments going back to
18 the Commission?

19 **MR. MOURING:** They will be available for the
20 Commissioners to hear.

21 **MR. LABEAU:** Okay. I, I believe I heard
22 earlier in your comments something to the effect of rate
23 relief. I guess I need your definition of what rate
24 relief is.

25 Anyway, there was a, there was a study, there

1 was a comprehensive study that was done by Raftelis
2 Financial Consultants. Are you familiar with that
3 study?

4 **MR. MOURING:** I cannot say that I am.

5 **MR. LABEAU:** Okay. It was an extensive study,
6 and it covered all of the cities and counties in the
7 state of Florida, over 170. This was done in, in 2012,
8 but the information on this is pertinent to, to this
9 because it's very comparable to what yours is. I looked
10 it up on the internet and, for all intents and purposes,
11 it's about the same. I'll read you a couple of
12 paragraphs from this study that was done.

13 The 2012 Florida Water Rate Survey represents
14 the initial rate survey conducted by Raftelis -- I think
15 that's how you pronounce it -- Financial Consultants in
16 Florida. They conducted a national wastewater rate
17 survey. They, they, they have conducted that water and
18 wastewater rate survey since 1996 and has done so in
19 conjunction with the American Waterworks Association
20 since 2004.

21 The 2012 Florida Water Rate Survey is intended
22 to provide keen insight into water pricing practices
23 currently utilized by publicly owned utilities
24 throughout Florida. While many utilities provide
25 wastewater and reclaimed water services, the goal of

1 this initial survey is focused on typical water bills
2 and rate structures for more than 170 Florida public
3 utilities.

4 The survey addresses a cumulative service
5 population of over 13.8 million people throughout
6 Florida. The survey results are sorted alphabetically
7 by county and thereafter listed by the city or the
8 utility name. The survey table includes population
9 information, Water Management District, residential
10 monthly minimum water bill amount, and bill amounts for
11 usage at 4,000 and 8,000 gallons.

12 It was a, it was a very, very comprehensive
13 survey, and it includes a lot more data and information
14 that I have here. But it's -- this is six pages of fine
15 print. And I know you can't see it -- we don't have any
16 overheads or slides -- but, but it lists the county,
17 utility name, the population of those various cities and
18 municipalities, the minimum charge, the monthly bill
19 based on 4,000 gallons usage, and the monthly bill based
20 on 8,000 gallons usage. So it's a very, it's a very
21 comprehensive study; it includes a lot of information.
22 It represents, for the most part, the entire state of
23 Florida.

24 But what I did, I took, I took that
25 information, and based on the minimum charge -- I know

1 you can't all see this, but trust me -- I took the
2 minimum charge, one column -- this is, this is several
3 pages here -- and I took an average of, of -- and,
4 again, this represents 170 plus cities and, and
5 utilities. And the average for the entire state of
6 Florida is -- and this, again, this is for the minimum
7 charge -- \$12.01 as compared to Lake Placid, which is
8 \$13.80, the difference being \$1.79. We're paying
9 \$1.79 more right now than the average for the entire
10 state of Florida.

11 The difference or the range in, in all 170 of
12 these cities and counties is \$31.24. That's, you know,
13 the difference between the highest and lowest. Pretty
14 significant.

15 Then I took the monthly bill based on 4,000
16 gallons usage and I took an average of that, which comes
17 out to \$20.55. That's based on 4,000 gallons, \$20.55.
18 Lake Placid currently is \$29.88, or \$9.33 more than the
19 average of the entire state of Florida. The
20 difference -- the range from the highest to the lowest
21 is \$49.20; again, significant.

22 In addition to that, I took, I calculated what
23 the percentage was of increase between the minimum
24 charge and the monthly bill, and it's all over the map.
25 It ranges -- the difference from the highest to the

1 lowest is 87 percentage points. That's, that's from the
2 minimum to the, to the 4,000 gallon usage. And in every
3 case it was -- it varied from zero to plus. Nothing was
4 on the minus, nothing had been reduced. Okay?

5 87 percentage points.

6 Then I took the 8,000 gallon usage, did the
7 same thing using that as a baseline, and the
8 difference -- well, back up. The, the average for the
9 8,000 gallon usage was \$32.23; Lake Placid was \$46.32.
10 And I also took the percentages, just like I did for the
11 4,000 gallon usage, and, and the difference from the
12 highest to the lowest is 92 percentage points. Extreme
13 differences. I mean, this is, this is extreme. The
14 difference or the range based on the 8,000 gallon usage
15 was \$67.10 from the highest to the lowest.

16 Now you might ask the question, it's not
17 relevant because you've got populations of 500,000 down
18 to -- I think the lowest was 750. Well, I also took
19 some, some data that included populations that were
20 similar in size to Lake Placid. For example, here is
21 one population of 3,110 people. Their minimum rate was
22 \$6.92, and the monthly bill for 4,000 gallons was
23 \$17.76, a 61 percent difference -- a slightly higher
24 population than Lake Placid but there's no correlation.
25 Because here's another one -- 1,100 people, the minimum

1 rate was \$8. The rate at 4,000 gallons was \$8 -- no
2 change, that was zero, no increase. That's a, that's a
3 smaller population. So there doesn't seem to be any,
4 any direct correlation between the, the size of the
5 cities or the population and the rate for whatever
6 reason. I don't, I don't understand that.

7 I did the same thing using the 8,000 gallon
8 figure, okay, and looking at the same type of data,
9 cities that are -- excuse me -- approximately the same
10 size -- here's one at 4,025 people -- they had a -- it
11 went from \$15.36 to \$22.43, a 32 percent increase;
12 whereas, Lake Placid had a 70 percent increase.

13 Here's another one, 3,000 people. Their base
14 rate, \$7.65, had a 91 percent increase. So it's all
15 over the map as far as, you know, these rates and these
16 charges.

17 I called Lake Placid Utilities on April 1st
18 and asked them about the cost of water when I'm away for
19 an extended period, because a lot of us are snowbirds
20 down here. If I have them shut off my water at the
21 meter when I'm away, the charge is \$27.29 a month for
22 not using any water. In my case, it would amount to
23 \$222.32 for me personally, others it would be more or
24 less, and an additional charge to turn it back on. If I
25 turn it off myself at the house, the, the cost is still

1 \$27.79 a month. I asked them if I could cancel my
2 service. They said, "Yeah, but it has to be canceled
3 for nine months or more." And because -- based on this
4 data, I feel that the, the cost of water here, the
5 charges are, are unrealistic, and, and I feel that
6 you're taking advantage of the homeowners here in Lake
7 Placid. We don't have any other choice. We don't have
8 the option to go to another utility. There's no
9 competition. So it is what it is.

10 We -- a lot of us are snowbirds. We provide a
11 lot of economy to this community -- not year-round
12 necessarily, but we bring in a lot of money to this
13 community.

14 My question to you is I would like to know if,
15 if you folks, what your measurable cost reduction and
16 continuous improvement initiatives are. Have they been
17 implemented and what's the result? How are you trying
18 to drive the costs down rather than, than always
19 increase the cost because of slippage or whatever in the
20 system?

21 **MR. MOURING:** Sir, I'm sorry. If I could
22 respond briefly.

23 **MR. LABEAU:** Sure. Go ahead.

24 **MR. MOURING:** One, we're not with the utility.
25 We're with the Florida Public Service Commission.

1 **MR. LABEAU:** Okay.

2 **MR. MOURING:** There are utility
3 representatives here in the back of the room there, if
4 you'd like to ask them about what their initiatives have
5 been.

6 And I, I can tell you in this case a lot of
7 the increase is not directly related to increased costs
8 per se. It's related to decreased revenues as a result
9 of -- it could be negative growth or it could be just a
10 reduction in usage. Fixed costs are fixed; they haven't
11 changed. That's something our economists at the
12 Commission are looking at and continuing to look at.
13 But, again, if you'd like to ask the utility a question,
14 I just want to be clear we're not the utility.

15 **MR. LABEAU:** Yeah. Okay. Fair enough.

16 In closing, I'd just like to note that Lake
17 Placid Utilities is above the average in all three
18 categories, as, as I stated, as compared to the 170 plus
19 utilities and communities throughout Florida. They're
20 over the average minimum by \$1.79, they're over the
21 monthly billing average for 4,000 gallons by \$9.93, and
22 over the monthly billing average for 8,000 gallons by
23 \$14.09.

24 **MR. MOURING:** Okay. I, I can respond to that,
25 if you'd like.

1 **MR. LABEAU:** Uh-huh.

2 **MR. MOURING:** It's, it's -- as you can
3 appreciate, the breadth of costs are all across the
4 board. And particularly if that study -- again, I'm not
5 personally familiar with that study -- but if that
6 includes municipalities that are not rate regulated,
7 they can set rates at whatever they'd like. They're not
8 necessarily cost based. Different utilities, depending
9 on the source, the source of raw water, the treatment
10 costs can vary wildly.

11 **MR. LABEAU:** Sure.

12 **MR. MOURING:** As well as the size of the
13 company itself in terms of economies of scale and just
14 generally where they're located, what's available there.
15 There are so many different variables that go into the
16 cost of service and how their rates are set, how they
17 determine what their rates will be.

18 But it is difficult to rely on averages in the
19 entire state of Florida. But we look at the company,
20 this company, on an individual basis, and we set rates
21 based on their costs, their unamortized investment, as
22 well as their return, what the Commission sets as their
23 return on their unamortized investment.

24 **MR. LABEAU:** Why are you not looking at those
25 companies who had lower rates to see what they're doing

1 as compared to, you know, what's going on down here?

2 **MR. MOURING:** And, again, it's -- if they are
3 regulated by us, we'll look at what their costs are.
4 But just because their costs are higher, it may just be
5 the nature of the beast. It may be how they're
6 situated, it may be what their ground -- what their raw
7 water source requires in terms of treatment. There's so
8 many different variables that go into it, it's difficult
9 to say that this company's rates are lower so everyone
10 else's should be as low or lower. It's difficult. We
11 are looking at this company as an individual,
12 stand-alone basis.

13 We do use some benchmarking in terms of
14 industry average, but, again, it's difficult to use
15 that. It's difficult to rely on that when making an
16 adjustment because there are so many different variables
17 that can have a legitimate explanation for cost
18 differences.

19 **MR. LABEAU:** Okay. Thank you for the time.

20 **MR. MOURING:** Yes. Thank you.

21 (Applause.)

22 Mr. Woody Cole.

23 **MR. COLE:** I'm from Tower 1 (inaudible). We
24 have a different problem. Before we even get to the
25 rate increase, we need water. For two and a half months

1 we had no water on the eighth floor of Tower 1 or Tower
2 2. Maybe, maybe there'd be three to five minutes. If
3 you were in the shower, if you turned the shower on in
4 the morning, and by the time the water would get warm,
5 it would just shut completely off. There was no water,
6 period, and it may be that way for five minutes.

7 Now the problem is they put a backflow valve
8 on the systems, state-mandated backflow valve. It
9 reduced the pressure by 12 pounds. So the people on the
10 eighth floor of both towers and some on the seventh
11 floor, you know, had this problem for -- now, it's been
12 two and a half months.

13 **MR. MOURING:** I'm sorry. Mr. Cole, could you
14 speak this way just to make sure the microphone picks it
15 up? I apologize.

16 **MR. COLE:** Well, the plumber came in and he
17 put a booster pump on our system. Now the booster pump
18 has increased the pressure on the eighth floor, but the
19 pump is on demand. The pump comes on every six seconds
20 and goes off every three. You know, it just, it just
21 cycles on and off, on and off. Our electric bill is
22 going to be astronomical, and our water bill has went up
23 by one-third because of the people letting the water run
24 for a longer period of time in order to even cook or,
25 you know. You get up at 3:00 in the morning, you're not

1 going to have enough water to brush your teeth. So, I
2 mean, this basically is not the same problem. You're
3 talking about a rate increase here. But, you know, if
4 there is a member of the utility company here, you know,
5 we would like to speak with them about this, you know.
6 Because, you know, we've already asked the utility
7 company to raise the pressure in order to get us enough
8 water on the eighth floor, and we were told no. So, you
9 know, we're in a bind here. We don't have water. Thank
10 you.

11 **MR. MOURING:** I appreciate your comments.

12 Next, Mr. Robert Phillips.

13 **MR. PHILLIPS:** I'm in Tower 2, and I'm with
14 Woody here. I'm on the fifth floor and we've been able
15 to get water all the time, but I have to pay that bill
16 for the whole 32 units in there. We have one pipe
17 coming in. We turn around and boost it up there.

18 So my question is to these guys is since we
19 put in that backflow valve, we've lost the pressure
20 (inaudible). Why can't they increase the pressure so
21 that we can go back to the ten pounds or 12 pounds that
22 we lost? If they would do that without us having to pay
23 to have our (inaudible) pump running all the time, I
24 would then consider a rate increase. But right now
25 we've got too much of our own money going out and not

1 getting any service coming in. So if the utility
2 company will come and talk to us and discuss that with
3 us, I think we can come to, to a satisfactory plan.

4 **MR. MOURING:** Thank you.

5 I, I apologize if I get this wrong. Mr.
6 Mike --

7 **MR. MOHNACH:** Mohnach.

8 **MR. MOURING:** -- Mohnach.

9 **MR. MOHNACH:** Mike Mohnach, M-O-H-N-A-C-H, 228
10 Country Club Drive.

11 I just have a couple of comments. One, in the
12 meeting notification there was a note that there would
13 be a copy of the staff report on file at the public
14 library. There was no such report on file at the public
15 library.

16 Two, after some searching, I did find a link
17 to the staff report. I was just wondering in the
18 interest of transparency why that wasn't -- was it
19 actually noticed, noted in the meeting notice?

20 And my third comment is in the staff report,
21 (inaudible) it indicates a request for a return on
22 equity of 10.45 percent. To me that seems excessive. I
23 noticed that none of the documents shows anything about
24 return on equity, a comparison before and after. I
25 think that's a lack of transparency too. (Inaudible)

1 seems pretty high. That's all I've got at this time.

2 **MR. MOURING:** All right. Thank you. That was
3 the last speaker that signed up here. If there's anyone
4 else that would like to speak, please feel free. If
5 not, we will be around -- we'll stick around after this
6 meeting we're about to adjourn. If you'd like to come
7 up and ask us questions, we can certainly talk to you
8 one on one. And with that, thank you all very much for
9 coming, and we appreciate your comments. Thank you.

10 (Proceeding concluded.)

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

STATE OF FLORIDA)
 :
COUNTY OF LEON)

CERTIFICATE OF REPORTER

I, LINDA BOLES, CRR, RPR, Official Commission Hearings Reporter, Hearing Reporter Services Section, Office of Commission Clerk, do hereby certify that the foregoing proceedings were transcribed from digital recording to the best of my ability.

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' attorneys or counsel connected with the action, nor am I financially interested in the action.

DATED this 17th day of April, 2014



LINDA BOLES, CRR, RPR
Office of Commission Clerk
(850) 413-6734