

# Brevard Waterworks, Inc.

May 21, 2015

Office of Commission Clerk  
Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399

***Re: Docket No. 140186-WU - Application of Brevard Waterworks Inc. for Staff Assisted Rate Case in Brevard County– Response to OPC’s Letter of Issues and Concerns***

Dear Commission Clerk,

Brevard Waterworks, Inc. (BWW) hereby submits its response to the Office of Public Counsel’s (OPC) letter of Issues and Concerns dated May 21, 2015. It is important to note that as previously addressed in several submitted letters concerning contractual services, for the “Administrative Services” portion, this is derived at by using all currently owned or purchased private regulated utilities and dividing these amounts by the existing ERCs **and future potential ERCs** through growth and potential acquisitions. Thus these costs are lower than actual costs since there is a growth factor of 1,000 ERCs built in for potential acquisitions in the future that have not taken place. If the actual costs were recovered through the actual number of ERCs, the amount per ERC would be higher. These amounts are to cover the monthly operational and administrative expenses for all the regulated utilities, both present and future.

In addition, for the Administrative Services included in the current rate case for Brevard Waterworks, there are no salaries included for the Manager of Regulated Utilities. The only two employees included in the current rate case include a Utilities Manager and an Accountant. The Utilities Manager oversees the daily operational items of each regulated utility, as well as the future capital improvement requirements. This individual also interacts with the field employees of the Department of Environmental Protection, local Health Departments, Public Service Commission, and the various Water Management Districts. The Utility Manager also interacts with the customers of the various regulated utilities. The Accountant performs all accounting and reporting requirements of the regulated utilities. This includes daily transactions in accounts payable, accounts receivable, bookkeeping, financial statements, etc. The Manager of Regulated Utilities oversees all aspects of each regulated utility and supervises both the Utility Manager and Accountant. The Manager of Regulated Utilities also is responsible for all governmental reporting with the various agencies, including the Public Service Commission. As previously stated, there are no costs associated with this position in the current rate case.

Recently U.S. Water Services Corporation undertook an in-depth analysis of the actual contractual costs of each regulated utility, as well as the administrative costs. The actual Administrative Costs, including the addition of *potential* future ERCs of 1,000 amounted to \$4.52 per ERC per month for the regulated utilities. In the current rate case, the administrative portion of the contractual services was \$3.23 per ERC per month, which is \$1.29 less than the

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actual costs. For the costs included in the current rate case, if the 1,000 future non-existing ERCs were eliminated, the cost would be \$3.85 per ERC per month. Therefore, in the current costs included in the rate case, U.S. Water Services is subsidizing the regulated utilities by \$38,772 a year by not passing these costs to the existing customers.

In February 2015, U.S. Water Services finalized its in-depth analysis of contractual costs. For BWW the actual total costs for water were \$47,718.90. These again included the *potential* future 1,000 ERCs that do not exist. Thus, in the current SARC, the utility is being subsidized by \$6,531 annually. Included in these costs are FDEP required sampling. The actual costs for these government required testing is \$1,557 annually; however, in the current BWW contract, the testing costs included amount to \$752. Thus, BWW is being subsidized by \$805 annually for these required tests.

As previously stated in Document Nos. 06669-14 and 01305-15, the cost per ERC for BWW for the U.S. Water Services contract is \$172 per ERC annually and **not** the \$613 that OPC alludes to. BWW assumes the amount OPC cites includes the cost of purchased water, which again is beyond the control of the utility. The county raised its purchased water price each October. To include the cost of purchased water in any comparison of O&M would be inappropriate, especially to utilities who have their own water treatment facilities.

As previously stated in Documents 0669-14 and 01305-15, the amount of Operations and Maintenance personnel costs included in the BWW contract is \$720 per month, for 2 days a month at \$45/hour. This equates to \$8,640 per year for the personnel and includes salary, vehicle, tools, payroll taxes, insurance, uniforms, cell phones, etc. If the utility were required to hire its own employees for all the required services necessary for continued quality service to its customers, the costs would be significantly higher.

These services include required sampling, meter reading, turn ons, turn offs, leak repairs, meter repairs and/or replacements, maintenance, line locates, customer service including premise visits concerning billing questions or water quality issues, as required by Rules 62-699; 62-555; and 62-602, Florida Administrative Codes.

Further, the FDEP requires sampling which must be performed pursuant to Rule 62-555.350(6)(b), F.A.C.:

(b) Each supplier of water serving less than 3,300 persons shall take at least one grab sample each day the supplier serves water to the public or at least two days per week, whichever is less, at a point in the water supplier's distribution system reflecting maximum residence time after disinfectant addition, shall measure the residual disinfectant concentration, and shall record the residual disinfectant concentration in the logs and reports required under subsection (12) below.

In addition, the operator is responsible for all operations of the water and wastewater treatment plants, including all required DEP testing and reporting. Pursuant to Rule 62-555.350(8), F.A.C.

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(8) Suppliers of water shall employ licensed operation personnel in accordance with Chapters 62-602 and 62-699, F.A.C., for all public water systems except transient non-community water systems using only ground water and serving only businesses other than public food service establishments as defined in, and regulated under, Chapter 381, 500, or 509, F.S.

The U.S. Water contract includes the following services:

Meter Reading  
System Maintenance  
Flushing – distribution system  
Billing / Collection  
Customer Service  
Service Orders  
Regulatory - PSC, WMD, DEP  
Permits – DEP, DOH, WMD, etc.  
Testing – ***all*** required for water  
MORs - monthly reporting  
CCRs - annual  
PSC Annual Reports  
Accounting - ***all*** bookkeeping, record keeping, AR, AP, etc.  
Meter Replacements  
Line break repairs  
Minor repairs and/or replacements – up to \$400  
Locates  
Meter calibrations  
Backflow preventor testing  
Turn Ons/ Turn Offs  
Disconnections  
Re-reads  
Vehicles  
Office (also equipment, phones, etc.)

Rule 62-555.350, F.A.C Operation and Maintenance of Public Water Systems, requires:

(2) Suppliers of water shall keep all necessary public water system components in operation and shall maintain such components in good operating condition so the components function as intended. Preventive maintenance on electrical or mechanical equipment – including exercising of auxiliary power sources, checking the calibration of finished-drinking-water meters at treatment plants, testing of air or pressure relief valves for hydropneumatic tanks, ***and exercising of isolation valves – shall be performed in accordance with the equipment***

manufacturer's recommendations or in accordance with a written preventive maintenance program established by the supplier of water; however, in no case shall auxiliary power sources be run under load less frequently than monthly. Accumulated sludge and biogrowths shall be cleaned routinely (i.e., at least annually) from all treatment facilities that are in contact with raw, partially treated, or finished drinking water and that are not specifically designed to collect sludge or support a biogrowth; and blistering, chipped, or cracked coatings and linings on treatment or storage facilities in contact with raw, partially treated, or finished drinking water shall be rehabilitated or repaired. Finished-drinking-water storage tanks, including conventional hydropneumatic tanks with an access manhole but excluding bladder- or diaphragm-type hydropneumatic tanks without an access manhole, shall be checked at least annually to ensure that hatches are closed and screens are in place; shall be cleaned at least once every five years to remove biogrowths, calcium or iron/manganese deposits, and sludge from inside the tanks; and shall be inspected for structural and coating integrity at least once every five years by personnel under the responsible charge of a professional engineer licensed in Florida. Dead-end water mains conveying finished drinking water shall be flushed quarterly or in accordance with a written flushing program established by the supplier of water; additionally, dead-end or other water mains conveying finished water shall be flushed as necessary whenever legitimate water quality complaints are received.

Instead of relying on the unrefuted evidence previously provided, the Office of Public Counsel alludes to the fact that another approach should be considered when comparing the O&M expenses and contractual services. This give the appearance of when an appropriate analysis is presented which does not comport to OPC's position, it diverts the attention to one that has previously been rejected by this Commission. BWW has provided ample unrefuted evidence which supports its position that the related party contractual services for operation, maintenance, administration, and customer service is well **below** the fair market value (See Documents **06669-14**; **01305-15**). These responses will not be repeated in this response since the information has previously been provided numerous times. This AWWA study provides third party independent verification that clearly find the U.S. Water operation and maintenance costs are well below the market rate. As stated in **GTE V. Deason**, 642 So 2d 545 (Fla 1994), the Florida Supreme Court, "The mere fact that a utility is doing business with an affiliate does not mean that unfair or excess profits are being generated."

As stated in **GTE V. Deason**, 642 So 2d 545 (Fla 1994), the Florida Supreme Court, "The mere fact that a utility is doing business with an affiliate does not mean that unfair or excess profits are being generated."

The "market" comparison is drawn on by both the AWWA study provided to both the Commission and OPC for nation-wide utility companies. This market comparison is paramount in providing finality to BWW's unrefuted evidence that these costs are well below market, and not above as required by the Florida Supreme Court.



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Instead, OPC offers a comparison table to three other Class C utilities. It is important to note that in OPC's table it includes information from the Annual Reports of two utilities and various other orders. The information obtained from the Annual Reports has not been audited nor verified by the Commission. There is no indication that OPC has a baseline understanding of the condition of each of these facilities. Likewise, there is no showing of whether the utilities in this minute peer group are currently in need of rate relief, whether they are operating at a loss, or whether they have a service company. Finally, the corporate structures, expenses, operating standards, capital structure, and environmental compliance records of the utilities in this small group have not been considered.

Of note, Order No. PSC-08-0760-PAA-SU is for a wastewater utility which has its own wastewater plant. Included in the O&M expensed approved by the Commission includes \$11,713 in Officer's Salaries, Sludge Removal Expense, and Purchased Power. BWW is a consecutive system which has no water treatment plant and purchases its water from Brevard County. Thus, BWW's purchased water costs are beyond the control of the utility. It should be noted that this order was issued on November 17, 2008, or more than 6 years ago. No such analysis was provided to increase any allowed expense to take into consideration of the amount of time which has passed since the issuance of this order. As stated in Document No. 01305-15, BWW is requesting Officer's Salary in the amount of \$5,000. Based on these facts alone, no comparison may be extracted using this utility.

Order No. PSC-13-0126-PAA-SU is also for a wastewater utility with a wastewater treatment plant. This order approved Officer's Salaries in the amount of \$6,311, as well as costs for purchased power, office rent, transportation, and chemicals. This wastewater only utility also utilized the City of Cocoa to bill for the wastewater services. Thus, the utility does not read the meters or submit bills to its customers. Based on these facts alone, no comparison may be extracted using this utility.

Order No. PSC-03-1342-PAA-WS is for a water and wastewater utility which has both a water treatment plant and a wastewater treatment plant. It should be noted that this order was issued on November 24, 2003, or more than 11 years ago. No such analysis was provided to increase any allowed expense to take into consideration of the amount of time which has passed since the issuance of this order. In addition, the utility's quality of service was not found satisfactory in the order. Further, the utility's water plant was found to be 29.7% used and useful and the distribution system was found to be 62.6% used and useful. The utility also had long-term debt in the amount of \$158,488 with interest rates between 3.12% - 3.55%. BWW has no debt and no interest expense which must be paid. Any analysis would need to consider the interest expense paid by this utility. This is consistent with considering the capital structure pursuant to Order No. PSC-12-0102-FOF-WS, issued March 5, 2012. Also included in the order were water salaries of \$46,100 and pensions and benefits in the amount of \$2,918 for water approved by the Commission. The O&M expenses also included purchased power, chemicals, fuel for power production, attorney fees, transportation costs, and rents. Based on these facts alone, no comparison may be extracted using this utility.

Order No. PSC-01-2511-PAA-WS is for a water and wastewater utility which has both a water treatment plant and a wastewater treatment plant. It should be noted that this order was

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issued on December 24, 2001, or more than 13 years ago. No such analysis was provided to increase any allowed expense to take into consideration of the amount of time which has passed since the issuance of this order. In addition, the utility's quality of service was not found satisfactory in the order. The utility's \$222,568 of long term debt consisted of two debt instruments. The first debt instrument is a note for \$200,280 (72.36%) with a stated interest rate of 10.00%. The second debt instrument is a truck loan in the amount of \$22,288 (3.62%) with a stated interest rate of 6.00%. BWB has no debt and no interest expense which must be paid. Any analysis would need to consider the interest expense paid by this utility. This is consistent with considering the capital structure pursuant to Order No. PSC-12-0102-FOF-WS, issued March 5, 2012. The Commission also approved Officers Salary in the amount of \$18,000 for this utility. As previously stated, BWB is requesting Officer's Salary in the amount of \$5,000. The O&M expenses also included pension and benefits, purchased power, chemicals, fuel for power production, cell phones, transportation costs, and rents. Based on these facts alone, no comparison may be extracted using this utility.

OPC's own letter of concern illustrates and validates the fact that comparisons between various differing utilities is at best difficult if not impractical or appropriate.

As previously stated, the Commission has previously considered this approach by OPC at analyzing affiliated transactions of related parties (which has been attempted at least twice before by OPC) and stated the following in Order No. PSC-12-0102-FOF-WS, issued March 5, 2012:

In evaluating whether and how much affiliate costs should be included in rates, we are aware of the relevant statutes and cases on rates and affiliate transactions. Section 367.081(2)(a)1., F.S., sets forth our responsibility in rate setting, and specifically states:

The commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, the commission shall consider the value and quality of the service and the cost of providing the service, which shall include, but not be limited to, debt interest; the requirements of the utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the utility in property used and useful in the public service. . . .

As reflected in the statute cited above, we are required to set reasonable rates, but we must also set rates that are compensatory. The provisions in the statute require that we consider the cost of providing service, which includes operating expenses incurred in the operation of all property used and useful in the public service, as well as a fair return on the investment of the Utility in property used and useful in the public service. In conducting our analysis of the appropriate operating expenses to be included, we are mindful of two Florida Supreme Court cases. In the case of Keystone Water Co v. Bevis, 278 So. 2d 606 (Fla. 1973), the Court held that a utility is entitled to a fair rate of return on property used or useful in public service. In Keystone, the Court further found that rates which do not yield

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a fair rate of return are unjust, unreasonable, and confiscatory and their enforcement deprives a utility of due process.<sup>1</sup> Additionally, in GTE v. Deason, 642 So. 2d 545 (Fla. 1994), the Florida Supreme Court laid out the standard of review for affiliate transactions, stating:

The mere fact that a utility is doing business with an affiliate does not mean that unfair or excess profits are being generated, without more. Charles F. Phillips, Jr., *The Regulation of Public Utilities* 254-55 (1988). We believe the standard must be whether the transactions exceed the going market rate or are otherwise inherently unfair. . . . If the answer is “no,” then the PSC may not reject the utility’s position.

GTE v. Deason, 645 So. 2d at 547-548. We have reviewed the record evidence and applied the holdings in Keystone v. Bevis and GTE v. Deason as appropriate. (pages 99 – 100)

The Commission, in arriving at its final decision stated:

While we agree with OPC witness Dismukes that AUF’s Market Based Study does not offer a realistic comparison of market based rates, we also agree with AUF witness Szyzgiel that the peer group analysis presented by witness Dismukes does not provide an adequate comparison. We note that in AUF’s 2008 rate case we also disagreed with witness Dismukes’ previous recommendation to use a comparison of Commission-regulated utilities to AUF in evaluating affiliate-provided services. In the Utility’s 2008 rate case, we specifically found “[t]hat the comparison analysis proposed by witness Dismukes does not provide an appropriate basis to warrant an adjustment being made.”<sup>2</sup> As acknowledged by witness Dismukes, there are complexities associated with determining the reasonableness of affiliate transactions. **To that point, we find that witness Dismukes’ peer group comparison does not adequately compare the duties, activities, and responsibilities for the Utility’s affiliate-provided services.**

(Emphasis added)

The Commission further stated:

Moreover, just because the costs to operate a utility are high, this does not necessarily mean that a utility is operating inefficiently. Other factors may influence the costs to provide service to customers. Therefore, we believe a review of this particular Utility’s history is helpful in understanding the costs associated with providing service.

BWW respectfully submits that the comparison of other regulated utilities expenses, although useful and informational, should not be the sole basis of any disallowance of prudently

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<sup>1</sup> See Keystone Water Co. v. Bevis, 278 So. 2d 606, 609 (Fla. 1973).

<sup>2</sup> See Order No. PSC-09-0385-FOF-WS, p. 78.

incurred operating expenses. The Commission has previously stated, “In overturning a prior Commission decision, the Florida Supreme Court enunciated the standard which we should use in reviewing affiliate transactions stating, “(w)e believe the standard must be whether the transactions exceed the going market rate or are otherwise inherently unfair.”<sup>3</sup> Order No. PSC-12-0102-FOF-WS.

### Repairs & Replacements

The OPC alludes to the \$400 in repairs and replacements as being “too low.” U.S. Water Services Corporation (US Water) has numerous operations and administrative contracts with numerous entities within the State of Florida. For the larger contracts, the typical threshold for repairs and/or replacements is \$7,500. This is due to the fact that these larger contracts are (a) for larger dollar amounts annually; (b) are with very large entities serving large customer bases; and (c) have considerable financial wherewithal for continued operations. Further, these larger contracts are typically with non PSC regulated entities such as cities, counties, federal government, and governmental agencies.

Pursuant to the National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA), the monetary threshold for capitalization of expenditures versus expensing is:

Class A	\$750
Class B	\$400
<b>Class C</b>	<b>\$150</b>

(See Accounting Instructions)

The majority of the private regulated shareholder utilities, including BWW, are Class C utilities. However, since some of these private utilities are Class B based on annual revenues, for consistency all of the regulatory accounting for these private utilities are recorded under the Class B accounting procedures pursuant to USOA. Since all of the private regulated shareholder utilities are classified under the Class B for accounting purposes, the \$400 monetary threshold was established under these individual contracts under the USOA instructions for capitalization versus expensing. This actually provides a benefit to both the utilities and the customers. Since all repairs and/or replacements under the \$400 threshold are included in the annual contract amount and not charged individually to the private utility, the recorded capital is kept to a minimum and the rate base also reflects lower amounts. If each repair/replacement under \$400 (above the \$150 threshold) was recorded pursuant to the Class C USOA provisions, this would allow an additional return on these amounts in rates.

Thus, the owners of both US Water and the private utilities (including BWW) believe the \$400 monetary threshold provision in the USOA was appropriate for all the private regulated utilities since it provides a benefit to the customers of each utility. This is also consistent with how each regulated utility is being accounted for under the USOA. Each regulated utility is

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<sup>3</sup> GTE v. Deason, 642 So. 2d 545, 548 (Fla. 1994).



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required to maintain their accounts and records under the USOA pursuant to Rule 25-30.115, Florida Administrative Code. Thus, this agreed upon monetary threshold is consistent with the Class B, USOA. Private regulated utilities are allowed to establish their accounting procedures and practices under a higher class (Class B or Class A) which are more stringent than the lower class, Class C.

By establishing a monetary threshold which is consistent with the NARUC USOA, the utility's customers are receiving an added benefit. Since any repair and/or replacement under \$400, as specified in the USOA for Class B utilities would be considered O&M expenses, these would qualify as prudent expenses and are recoverable on a dollar-for-dollar basis. Since these type repairs and replacements are covered under the operations and maintenance contract and not charged to the utility, the resulting rates do not include these items. Thus, U.S. Water is actually subsidizing the utility by covering these services in its contracted amount. There are no separate charges for these. BWW has consistently been operating at a loss and any such needed repairs and/or replacements has previously been solely funded through its shareholders' additional paid in capital.

In addition, there are several other services provided to the private utilities which are not charged to the utilities through the contract amount. Examples are these are engineering and compliance. Although these services are included in the contract, there are no dollar amounts for personnel (employees) included in the contract amount. The engineering services include permitting for both FDEP. These services are provided under Section 2.19 of the U.S. Water contract, but there are no dollar amounts included in the monthly or annual fees. If the utility were to provide this function on a stand-alone basis, there would be additional operation costs associated with this which would be eligible to pass onto the customers as a prudent utility expense. Engineering services would only be included as part of major capital projects *if required* over the \$400 monetary threshold.

An additional service provided to the utilities which there are no associated costs is compliance services. Under Section 2.13 of the contract, U.S. Water provides for the compilation and filing of required monthly MORs with FDEP. Additional services provided are required annual CCRs, boil water notices (if required), and compliance sampling reporting. There are no associated costs or salaries included in the U.S. Water contract for these provided services. Again, if the utility were to provide this function on a stand-alone basis, there would be additional operation costs and salaries associated with this which would be eligible to pass onto the customers as a prudent utility expense.

Thus, due to the size of these small utilities and the potential impact on rates, U.S. Water does not charge the utilities for the inclusion of these government required services. Due to this subsidization by U.S. Water, the water and wastewater rates are kept at a minimum by not including these costs in the contract amount or in O&M expenses.

OPC also refers to Attachment "G" and the margin included. Per the USW contract, the utility is responsible for any repair or improvement above \$400. There are no differences in how Attachment G works for repairs versus improvements. However, these would be for items that

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are required above and beyond the normal services already being provided through the actual service contract. Again, the cost to the BWW customers for the USW contract is \$172 per ERC.

U.S. Water utilizes the RSMeans® Heavy Construction Cost Data to conduct cost analysis. Typically the fees charged by USW are under the RSMeans® costs. RSMeans is a construction estimation database that is used by professional estimators for up to date labor, materials and overhead costs for specific project types and locations. Since 1942, RS Means has been actively engaged in construction cost publishing and consulting throughout North America. RS Means collects data from all facets of the industry, including both the private and public sectors, including federal, state, and municipal agencies, corporations, institutions, construction management firms, hospitals, and associations.

The 18% markup was derived at by using factors of 8% overhead and 10% profit. According to RS Means®, (1) the “Average Fixed Overhead for all services across the United States is 17.9%; (2) the Overhead varied from a low of 11% to a high of 16%; (3) while the Profit across all services was at 10%. Thus the Overall Overhead and Profit across all services across the United States varied from a low of 47.4% to a high of 80.4%. (See attached schedule). This 18% markup is also consistent with the FGUA contracts which were selected through the competitive bid process across the state. The 18% markup for overhead and profit is below the market percentage markups nationwide.

As previously stated, the same Attachment is utilized for all of the regulated utilities throughout the state of Florida.

BWW is extremely cognizant to the impact needed improvements will have on customer rates. RS Means is the national leader for custom database development to fit any construction or facilities management situation. RS Means has developed and maintains a global cost estimating database for the U.S. Army Corps of Engineers and the Department of Defense. Means has developed a cost index for various building types for the U.S. Department of Labor, Bureau of Labor Statistics.

Further, USWC currently has over 400 service contracts with various cities, counties, federal agencies, private corporations, FGUA, etc. These contracts were subject to the competitively bid process across the state. Thus these contracts were openly bid throughout the open market and were selective through the competitive bid processes of the various statewide clients. Ultimately for these similar contracts, USWC was selected through this open market process for the same type of service, thus demonstrating that its charges and fees for services are below market.

### Bad Debt Expense

OPC states that it is “concerned with the amount of bad debt given the size of the system.” BWW is also very concerned with the amount of bad debt expense. As previously explained in Document Nos. 06345-14, the majority of the distribution service lines are located at the back of customers’ properties. These distribution lines were installed when the utility first began providing service. Over the years, these lines have been enclosed in customers fences, covered with vegetation (trees, shrubs, etc.), covered with outside buildings (sheds, etc.), or debris piles.

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Many of the fences in properties also contain large dogs, making gaining access problematic. There are several customers who are delinquent in paying their water bills that the utility has extreme difficulties in attempting to access the properties to disconnect water due to large pit bull dogs and fences. BWW has contacted the local sheriff's department and was told that for each instance a formal court order would be required to disconnect the services. As recently as this past week, BWW had a maintenance person attacked by one of the customer's pit bull dog while attempting to perform a maintenance service. This is extremely problematic and BWW requests assistance in how to proceed in these instances. BWW is considering whether to turn over these delinquent accounts to the collection agency or proceed with legal proceedings for unauthorized theft of services.

As recently as the end of April, there were 11 accounts that BWW has previously attempted to disconnect service at least 41 separate times and were unable to do so due to dogs, fences, etc. These accounts are in arrears over \$5,000.

The communities of Oakwood and Kingswood are financially imperiled neighborhoods. These communities also have had historically high turnover rates due to the rental occupancies of the mobile homes. Although OPC elected not to attend the customer meeting in this SARC, BWW invites OPC to tour the service area of BWW to understand the nature of the neighborhoods.

OPC also alludes to the fact that the bad debt "may" be caused by BWW's actions (or lack thereof). BWW takes exception to this. BWW procedures do require shut off of service for all accounts over 60 days over the threshold of \$50 balances. Thus the amounts recorded in the utility's bad debt expense are inactive accounts which have been turned off. In addition, BWW has a Commission approved late payment charge of \$5.00 to encourage timely payment of bills. In addition, if a customer has a customer deposit with the utility, this amount is applied to the outstanding balance prior to submission to the collection agency. Therefore, the amount of actual bad debt is the net balance of each outstanding account.

BWW follows all Commission rules and regulations in relation to customer service. BWW charges late payments for untimely payments. BWW makes every attempt to follow through with disconnection of services for outstanding accounts. BWW also charges additional customer deposits for customers who have previously had service disconnected for nonpayment. Finally, BWW has obtained the services of a collection agency for disconnected accounts over 60 days. To date, \$13,235 in uncollectables have been turned over to the collection agency. Also to date, no amount has been collected on this amount. BWW is proud of its customer service and works with customers who may have financial difficulties in making payments by offering payment plans.

Unfortunately, BWW's bad debt expense is not overstated. Below is the current Aged Accounts Receivables as of April 30, 2015:

<u>Current</u>	<u>30 Days</u>	<u>60 Days</u>	<u>90 Days</u>	<u>120 Days</u>	<u>Total</u>
\$ 9,575.21	\$ 3,147.55	\$ 1,881.40	\$ 1,521.98	\$ 10,525.55	\$ 26,651.69

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Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Troy Rendell". The signature is fluid and cursive, with a large initial "T" and "R".

Troy Rendell  
Manager of Regulated Utilities  
*// for Brevard Waterworks, Inc.*