

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 140186-WU

APPLICATION FOR STAFF-ASSISTED  
RATE CASE IN BREVARD COUNTY BY  
BREVARD WATERWORKS, INC.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 22

COMMISSIONERS  
PARTICIPATING: CHAIRMAN ART GRAHAM  
COMMISSIONER LISA POLAK EDGAR  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER JULIE I. BROWN  
COMMISSIONER JIMMY PATRONIS

DATE: Tuesday, July 21, 2015

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

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

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

1  
2           **CHAIRMAN GRAHAM:** Okay. We are now moving on  
3 to Item No. 22. Let's take about a two-minute break  
4 just to kind of get reseated.

5           (Recess.)

6           Okay. We are now on Item No. 22. If, staff,  
7 if you can take us through it.

8           **MS. THOMPSON:** Good morning, Commissioners.  
9 Kelly Thompson on behalf of Commission staff.

10           Item 22 is Brevard Waterworks' request to  
11 increase water and wastewater rates in Brevard County.  
12 Brevard Waterworks is a Class C utility that has been  
13 providing water service since 1971. They serve  
14 approximately 236 residential customers and one general  
15 service customer.

16           Erik Sayler and Denise Vandiver on behalf of  
17 OPC and Mr. Rendell and Mr. Deremer on behalf of the  
18 utility are present and wish to speak. Staff is  
19 prepared to answer any questions.

20           **CHAIRMAN GRAHAM:** Okay. Thank you, staff.

21           I guess we'll hear from the utility first.

22           **MR. RENDELL:** Good morning, Commissioners.  
23 Troy Rendell and Gary Deremer here on behalf of Brevard  
24 Waterworks. I appreciate the opportunity to come speak  
25 before you. We're specifically addressing Issue 1,

1 which is the quality of service, and its related  
2 adjustment which is in Issue 6 for the purchased water  
3 of unaccounted for water.

4 I've handed out -- I have a couple of handouts  
5 to kind of briefly go through, and I have discussed  
6 these with both staff and OPC. I supplied it to OPC  
7 yesterday and have discussed it. But it kind of gives  
8 you a perspective that the utility is in a difficult  
9 position, that the staff recommendation has put it  
10 between a rock and a hard place. And we're here to --  
11 to explore the different options that we have available  
12 to us that we believe we're kind of being pushed into,  
13 and also kind of discuss, you know, where do we go from  
14 here?

15 The two subdivisions are Oakwood and  
16 Kingswood, and they were developed in 1963 and '64.  
17 They're very old systems. The utility was certificated  
18 in 1971, and it was sold to Southern States Utilities in  
19 1987. I don't know if any of you remember Southern  
20 States Utilities, but they were a very large one -- a  
21 utility that owned throughout the State of Florida.

22 In a rate case in 1992 they filed MFRs, and  
23 the Commission issued an order, which is 93-0423, which  
24 states that in the MFRs the utility estimated there were  
25 approximately 1,200 pipe joints leaking at a rate of

1 120,000 gallons per minute. I bring that to your  
2 attention to illustrate that it is a very old system,  
3 and it's been in this condition for at least 23 years,  
4 dating back to 1992.

5 The current owners have probably done more on  
6 this system than any of the previous owners. We've done  
7 more maintenance, investigations, looked at different  
8 evaluations. It is a highly disadvantaged, financially  
9 disadvantaged system. We have difficulty turning the  
10 water off. The distribution mains are located in the  
11 back of the homes that -- they're actually trailers.  
12 Over those 30 some odd years the homeowners have put in  
13 fences, outbuildings, maintenance sheds, swimming pools,  
14 and we have a very difficult time even turning off the  
15 water. I mean, some of these customers, we have to go  
16 back month after month after month and we cannot get in  
17 because they lock the gates. They have pit bulls. One  
18 of our operators was attacked by a pit bill recently.  
19 We had to have the sheriff's office come out and assist  
20 us in turning this off.

21 So we all acknowledge, the utility, I believe  
22 staff and OPC acknowledge, you know, this is a very  
23 difficult situation and a problematic utility.

24 So I bring to your attention Rule  
25 25-30.4325(10) that basically lays out that in order to

1 determine whether to make an adjustment for excessive  
2 unaccounted for water, the utility -- the Commission  
3 will consider all relevant factors, including whether a  
4 solution to correct the problem has been implemented or  
5 whether the proposed solution is economically feasible.  
6 The staff's recommendation -- recommended, sorry,  
7 adjustment for unaccounted for water is \$30,511.

8           So what are the possible solutions? Well, the  
9 one solution that the utility originally sent in to  
10 staff in documentation was to replace all the mains and  
11 services, but also move them to the front of the house,  
12 put them down the roads where they're supposed to be. I  
13 believe there's a similar docket before the Commission  
14 for City Gas who's looking at doing that as well.

15           A utility back in the '90s did it. It was  
16 Park Water. I did cite that order in one of my  
17 responses back to staff. But they had about a one -- I  
18 think a \$1.5 million loan from DEP.

19           The difficulties in that is then the  
20 homeowners would have to hire a plumber to put in a new  
21 service line from the house to the meter. And these  
22 customers are financially disadvantaged; they have  
23 difficulties paying their water bill now. So that would  
24 place an additional burden to them. The estimated cost  
25 is over \$835,000, and the estimated revenue requirement

1 increase would be over \$98,000.

2 So we looked at other options. Mr. Deremer  
3 looked at -- his first thought was, well, the cheapest  
4 route is to replace just the services; leave them in  
5 place and replace the services. Unfortunately that's  
6 not viable, and that's Option No. 3. And I'm going to  
7 get back to No. 2.

8 Mr. Deremer was out there last week. He  
9 physically went out, looked at the mains, and he can  
10 discuss that a little bit further. But the mains are in  
11 very bad shape. They're AC pipe, and they over the --  
12 over the years have been become waterlogged. They're  
13 very soft. The services were not installed correctly.  
14 So that unfortunately is the least-cost alternative,  
15 which is about \$200,000, with an increase of revenue  
16 requirement of 23,000. But, again, it's just not  
17 viable.

18 So the next option we're looking at is, well,  
19 we could replace the 4-inch mains with a 2-inch main.  
20 That'll reduce some of the cost and would leave them in  
21 place in the back of the homes. But that too -- we've  
22 got several estimates from several different companies,  
23 including US Water, and they're all about the same. And  
24 when you add in the engineering, design, permitting, and  
25 any contingencies, it's about -- it's over \$500,000.

1 You're looking at half a million dollars to spend for  
2 200 customers with an increase of revenue requirement of  
3 about 66,000. But the difficulties, again, is there's  
4 fences, there's buildings, there's swimming pools, and  
5 we would need to go out there and physically move them  
6 to -- to access our easement.

7 We do have an easement, a recorded easement.  
8 I went back and looked, and we have a 5-foot easement on  
9 both sides of the property line. But you're talking  
10 about, you know, moving or destroying people's property,  
11 you know, with their fences and buildings and whatnot.  
12 So it is difficult.

13 So what other options are we looking at?  
14 Well, we could abandon the utility. We could, you know,  
15 go through the abandonment process, which is allowed by  
16 statutes and rules, and the County could take over. I  
17 did talk to Brevard County yesterday morning and  
18 discussed this as well as another option, which isn't on  
19 here because it was such a late thing, but -- and said  
20 that, you know, we explained the situation and said but  
21 we don't want to just turn it around -- to turn it over  
22 and walk away. You know, we have a reputation. We do  
23 work with cities and counties and governments, and we  
24 would like to assist them if that -- if that happens  
25 because either -- they're going to inherit the same

1 problems. Either they can't get to the meters, they  
2 still have that difficulty, they're still going to have  
3 the leaks and excessive unaccounted for water, or  
4 they're going to have to replace it. So there's no  
5 guarantee that -- either they're going to put on a  
6 capital recovery surcharge, which they do have several  
7 in Brevard County, or keep them separate and charge the  
8 rates higher. So it's a difficult situation.

9 Now, one of -- one of the items that came up  
10 recently, which I'm in discussions with the County, is  
11 let's look at the rate that's being charged. And that  
12 was the second handout. And, again, I apologize it  
13 didn't make it in, but this was something that happened  
14 yesterday morning.

15 We currently have a 4-inch compound meter, and  
16 included in that is certain tiers. You're familiar with  
17 inclining blocks, but it's very aggressive tiers. Like,  
18 at four inches we're allotted 85,000 gallons in the  
19 base, and then the tiers, you know, you can see them  
20 here, but Tier 4 is \$12.64 per thousand. Brevard does  
21 go into that tier several months out of the year. So  
22 the customers of Brevard are being charged this  
23 \$12.64 per thousand gallon charge when they can't  
24 conserve anymore. Their usage, as indicated in Issue 8,  
25 is about 3,400 gallons. There's just no possible way



1 for them to conserve, but they're being hit by this very  
2 high rate.

3 So I've discussed with the County, I said,  
4 well, we really should have a bulk rate. We're not a  
5 retail customer. This is designed for a commercial  
6 customer. And so I'm exploring with them if we can get  
7 just a bulk rate on a per thousand gallon basis without  
8 tiers and no allotment included in the base, that would  
9 help this utility significantly, and it would help fund  
10 the requirements that we're going to have to do for the  
11 lines, the replacements of the lines. Because something  
12 has to be done. It's been like this for over 20 years,  
13 and the lines are falling apart. They're very old.

14 So I'm going to run through these pictures  
15 really quick. I know I'm getting long in the tongue,  
16 but -- okay. What I wanted to give you is kind of an  
17 overview. And I got this off of Google Earth, and I had  
18 to hand draw the mains. I tried -- I'm not that  
19 technologically advanced, so I drew it by hand. But it  
20 kind of gives you a sense of where the mains are. And  
21 you can see that it runs behind these trailers in  
22 this -- in this park, pictures 1 and 2.

23 And then I have just an example of, you know,  
24 a couple of the customers' homes in here and the fences  
25 that's involved. And then I kind of zeroed in on just

1 one area that shows -- in the bottom it has the -- I  
2 guess it's kind of a red roof and some trucks in the --  
3 in the driveway and then a swimming pool at the top.  
4 And then I kind of -- and then the next two pictures are  
5 just those homes. Just to kind of give you an idea of  
6 the difficulties -- and the mains are behind these  
7 homes -- that we're facing.

8 And then the last two pictures are the actual  
9 services. And the services are actually ductile iron,  
10 and over time ductile iron, it accumulates rust. And as  
11 you can see on the last picture, it actually accumulates  
12 within the services and it restricts the flows, reduces  
13 the pressure, and it's prone to breaks.

14 And with that, I think Mr. Deremer would like  
15 to speak, but I'd also like to reserve the right to  
16 respond to any issues that OPC might bring up.

17 **CHAIRMAN GRAHAM:** Mr. Deremer.

18 **MR. DEREMER:** Yes. I just wanted to say a  
19 couple of words, and I'll be brief. At the last meeting  
20 there was discussion about is it in the best customer's  
21 interest to abandon a utility, something that we've  
22 considered on this utility and have been considering for  
23 some time.

24 This utility is an orphan from the Aqua  
25 systems. I've personally spent a lot of time trying to

1 determine what is in the best interest of these  
2 customers and this system. Certainly we've, we've  
3 looked at many options. We've spent many hours in the  
4 field, including myself, looking at various ways to try  
5 to reduce the cost for these customers.

6 The fact of the matter is this, simply stated.  
7 These customers can barely afford the water bill that  
8 they're getting now, let alone any increases, you know,  
9 in these -- in these rates.

10 Ultimately we thought if the County system was  
11 large enough that this system could be absorbed, it  
12 would be in the best interest of the customers to have  
13 it absorbed into the system. But further research in  
14 Brevard, the water system there is not very large, and  
15 it looks like they have independent rate districts. So  
16 we're furthering our discussions with Brevard to see if  
17 that is in the system's best interest or the utility  
18 customers' best interest.

19 Certainly if we were to -- to fund this -- and  
20 a bank loan is probably, based on the condition of the  
21 system, unlikely. We'd probably have to loan the  
22 company money to try to reduce the amount of equity to  
23 try to bring the revenue requirement down slightly. But  
24 even at a ratio of a 40 percent equity and, you know, a  
25 half a million dollars or possibly more, you're talking

1 about rates that are getting close to \$100 a month for  
2 water, and that's just not affordable for these folks.

3 So what we want to -- I guess what we want  
4 to -- to let the Commission know today is that we're --  
5 we're looking at further alternatives with the County.  
6 It may be in the customers' best interest to abandon it.

7 We may be able to help the County get some kind of  
8 grant money to cover the service issues also. We're not  
9 sure at this point. Certainly we would not be in a  
10 position to invest these kind of funds in the system  
11 without a buyoff from staff and the Office of Public  
12 Counsel.

13 So, you know, these folks need our help. And  
14 we don't have all the -- everything fleshed out. We do  
15 believe that the rates that are charged by Brevard  
16 County to these folks are discriminatory. We, as  
17 utility owners, have taken governments to task in the  
18 past. We're currently engaged in a lawsuit right now  
19 with the City of Lake Worth on another Aqua system that  
20 we believe those rates are discriminatory. That goes to  
21 court in the next couple of months. Certainly these are  
22 just as egregious, these rates for these folks. They  
23 can't use any less, but they're being -- they're paying  
24 at the highest tier.

25 So we just wanted to bring the Commission up

1 to speed on it. We do not feel that the unaccounted for  
2 water adjustment is appropriate in this case. All  
3 solutions result in a higher revenue requirement.  
4 Further penalizing the utility, we believe, is not  
5 equitable. We're certainly doing all we can possibly  
6 do. Keep in mind this thing has been leaking water and  
7 had this problem since 1992 as far as we can see in the  
8 documents.

9 So we would ask the Commission to not have an  
10 adjustment for unaccounted for water really for a period  
11 of one year. Give us one year to see if we're going to  
12 be able to abandon it or what the ultimate outcome of  
13 the system will be. And with that, I appreciate your  
14 time.

15 **CHAIRMAN GRAHAM:** Staff, thoughts?

16 **MS. BUYS:** We don't believe the customers  
17 ought to be paying for the 5 million gallons of water  
18 that they're losing. And --

19 **MS. KING:** Commissioners, I think the utility  
20 is correct. This is a very difficult situation. It's  
21 been an ongoing situation for many, many years. And  
22 staff believes that at some point we have to come up  
23 with a solution, and the solution should be to not hold  
24 the utility accountable for excessive unaccounted for  
25 water in perpetuity.

1           This is the first time we're hearing of some  
2 of these proposals, and some of them sound like they may  
3 be reasonable, but we just haven't really had time to  
4 discuss them or digest them.

5           **MR. RENDELL:** Well, Commissioners, I guess  
6 that puts us, again, in a bad situation where we -- we  
7 do know what solutions are going to be, but it's more  
8 costly. So, you know, if we're forced to do it, then,  
9 you know, we'll do it. And we are going to move forward  
10 and try to find a solution, but, you know, everyone  
11 needs to know upfront and we need to have a buy-in that  
12 every one of these options is going to result in higher  
13 rates than not making the adjustment.

14           And all we're asking is that, you know, give  
15 us time. You know, even if there's some middle ground  
16 at least for a period, a year, that -- you know, this  
17 utility can't afford not to recover \$30,000 a year.  
18 It's just not financially, you know, viable at that  
19 point. And then that is going to kind of limit our  
20 options, and that may limit it to abandonment, and I  
21 don't think that would -- may not be in the best  
22 interest of the utility -- of the customers.

23           **CHAIRMAN GRAHAM:** Commissioner Edgar.

24           **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.  
25 I would just say generally I agree with what you're

1 saying. This is a very difficult situation. Our staff  
2 certainly acknowledges that. This is not a situation  
3 where I think there is, you know, clear blame or the  
4 need to place blame. It's a situation that, as you have  
5 stated and as was discussed with our staff, we  
6 collectively need to figure out what is the best path  
7 forward for customers and for the delivery of the  
8 product to customers going forward.

9 The situation now certainly is not financially  
10 sustainable and is not serving the customers well. So  
11 the question of a one-year period to -- to look at  
12 options, I'm certainly interested in hearing more about  
13 that, discussing it, thinking through with staff. But I  
14 would like to hear from OPC specifically on some of  
15 these proposals, both the staff recommendation and some  
16 of the comments and suggestions that the utility has  
17 raised today, recognizing that none of us want to raise  
18 rates, but clearly improvements to the system need to be  
19 made in a path forward more long-term.

20 **CHAIRMAN GRAHAM:** Hold on just a second.

21 Commissioner Brown.

22 **COMMISSIONER BROWN:** She said everything I was  
23 going to say, literally everything.

24 **CHAIRMAN GRAHAM:** Okay. OPC.

25 **MR. SAYLER:** Thank you, Mr. Chairman,

1 Commissioners. My name is Erik Sayler with the Office  
2 of Public Counsel on behalf of these customers.

3 We understand the difficult situation that the  
4 utility is in and the tough choices staff has to make  
5 when it makes its recommendation. And we do support  
6 staff's recommendation. We also agree that customers  
7 shouldn't be paying for a product that they're not being  
8 delivered.

9 We did learn about some of these options  
10 yesterday from the utility, and we wouldn't be able to  
11 sign off on any of these options until we've actually  
12 talked to the customers on the ground to see if they  
13 have buy-in. We need to find out where our customers  
14 are at. We will certainly explain to them this  
15 situation, and also -- and I know the utility has  
16 offered to even meet with us and the customers to kind  
17 of give them, you know, the hard facts.

18 We all understand this is a 40-, 50-year-old  
19 system. The pipes are going to fail eventually, so we  
20 certainly understand that quandary. But we -- we can't  
21 commit to one of these options at this time without  
22 consulting with our client.

23 **CHAIRMAN GRAHAM:** Well, my -- you know how I  
24 like for you guys to go back to the drawing board and  
25 negotiate this stuff.



1 I guess the first question is to staff, if --  
2 if there is a -- how time sensitive this is, and if we  
3 need to get agreement from both sides to -- well, I  
4 guess from the utility to push it back until the  
5 September meeting.

6 **MR. MURPHY:** Commissioner, yeah, it looks like  
7 one solution would be to defer this, maintain the status  
8 quo, hear the proposals, and then come back with a new  
9 recommendation. I don't know if that can all happen by  
10 September, but I think it would require the utility to  
11 waive the clock.

12 **CHAIRMAN GRAHAM:** I guess back to the utility.  
13 Or, well, back to staff, how long would you think  
14 that -- before OPC to get out to their customers, the  
15 utility to come back, and for us to work out some sort  
16 of proposal?

17 **MS. KING:** I would ask Mr. Sayler how long he  
18 thought they needed to reach out to customers.

19 **MR. SAYLER:** I believe 90 days, three months.  
20 The difficulty, and I had this discussion with  
21 Mr. Rendell, is that this is not an organized utility,  
22 so we will have difficulty reaching out and finding our  
23 clients. And we would certainly rely upon the  
24 assistance of the utility to reach out to them to send  
25 them a notice to say, hey, meet with your

1 representative. And then we would like, of course, a  
2 client/customer meeting first and then potentially a  
3 follow-up meeting with the utility and our side. And  
4 staff would be welcome to attend as well so we're all on  
5 the same page. But we would certainly need help from  
6 the utility as far as reaching out to the customers to  
7 set that up.

8 And given the -- given the calendar going  
9 forward with all the other dockets that Ms. Vandiver and  
10 I are involved in, I think three months, we would work  
11 really hard to get it done.

12 **CHAIRMAN GRAHAM:** Mr. Murphy.

13 **MR. MURPHY:** Keino has pointed out that the  
14 statutory clock is the end of February, so we wouldn't  
15 require a waiver. We'd still be within the time  
16 parameters.

17 **CHAIRMAN GRAHAM:** Mr. Rendell.

18 **MR. MURPHY:** So we can come back any time  
19 before then and vote it out.

20 **CHAIRMAN GRAHAM:** Mr. Rendell.

21 **MR. DEREMER:** I believe the utility's position  
22 on this is that, you know, it's in severe financial  
23 problems. There's been related party loans to the  
24 utility. I think at this point we'd like to see the  
25 rates that are before you approved, and then circle back

1 around, you know, in the next two to three months with  
2 all these alternatives, including the County alternative  
3 for either some reduction in rates or abandonment of the  
4 system.

5 So I would think, you know, if -- it's going  
6 to take a fair amount of work together. I would  
7 certainly like OPC or staff to be involved at any -- any  
8 level they see appropriate with dealing with the County  
9 or the customers. We'll certainly help accommodate any  
10 of those arrangements.

11 So what we as the utility would like to see is  
12 these rates be approved today, and then, you know, maybe  
13 in, say, three months we can come back. And maybe one  
14 of those options may include some kind of relief in my  
15 mind of the unaccounted for water if there's an  
16 agreed-upon clear solution to move forward. Any kind of  
17 construction here is at least 12 months, so we're  
18 talking about something that's going to take a period of  
19 time. So if we could get a consensus of all parties, I  
20 think at that point it would be appropriate for some  
21 relief for the unaccounted for water during that period  
22 of construction.

23 **CHAIRMAN GRAHAM:** Well, the dialogue that I  
24 hear going on so far all sounds reasonable from all  
25 three sides. It doesn't sound like we have clear

1 direction. I think we should take probably about a  
2 ten-minute break by that clock back there, that would be  
3 11:00, and see if you guys can figure out a time frame  
4 and interim solution. And then bring that back to us,  
5 and then we'll make a decision from there. So we'll  
6 take a, by that clock, a nine-minute break.

7 (Recess.)

8 So now that we've got it done quickly, staff,  
9 give me some suggestions.

10 **MR. MAUREY:** Chairman, Commissioners, staff,  
11 talking with the utility and Office of Public Counsel,  
12 we've come to an understanding to, as was suggested,  
13 vote out this recommendation. The company will extend  
14 the 15-month clock for processing this SARC. And after  
15 these rates go into effect, the company will approach  
16 Brevard County regarding the rate structure issue that  
17 was discussed by Mr. Rendell.

18 **CHAIRMAN GRAHAM:** Andrew, start over again for  
19 me, please.

20 **MR. MAUREY:** Sure. Vote out the  
21 recommendation that's before you today as is, move  
22 staff. The company will extend the 15-month clock on  
23 the SARC. We will leave it open for a potential Phase 2  
24 consideration.

25 For Phase 2 there will be a number of

1 evaluations made. The utility will approach Brevard  
2 County about addressing the rate structure that its  
3 customers are presently under, a retail versus a  
4 wholesale rate. The utility will also develop and cost  
5 out certain proposals for dealing with the unaccounted  
6 for water issue.

7 After that step, meetings will be held with  
8 the customers. OPC, the utility, and staff will  
9 participate, get feedback from the customers on -- on  
10 these possible solutions, and understanding that one of  
11 the possible solutions might be abandonment.

12 The utility will come back before the  
13 Commission with a proposal. We will evaluate it and  
14 bring it back before the Commission. It's possible  
15 there could be a Phase 2 in this docket. It's possible  
16 it's a recommendation to abandon. It's --

17 **MR. MURPHY:** Commissioners, if I could take  
18 one small exception there. It really isn't voting it  
19 out as it is. It would be voting out the substance of  
20 the numbers here and how we get there, but this would be  
21 as Phase 1. And it would remain open for a Phase 2 to  
22 address ongoing issues. So it would -- it would --  
23 there would need to be some adjustment and, again, some  
24 latitude to effectuate that purpose in the language of  
25 this to have Phase 1 and Phase 2.

1                   **CHAIRMAN GRAHAM:** Do we have a -- any  
2 suggestions on a time frame for the solutions for the  
3 meeting and when it comes back? Because my fear is a  
4 year from now we're sitting here pointing fingers at  
5 each other.

6                   **MR. MAUREY:** 90 days to six months.

7                   **CHAIRMAN GRAHAM:** 90 days for the solution,  
8 six months for the meetings?

9                   **MR. MAUREY:** It was suggested that the  
10 solution for Brevard County might not -- would be  
11 outside of the control of how quickly we could get --  
12 how quickly they could get a solution from them. But  
13 it's their intent, and they can speak to this as well,  
14 they want to bring back proposals to the Commission  
15 sometime within 90 days to six months.

16                   **CHAIRMAN GRAHAM:** Well, now, remember, from  
17 what you said, they're bringing solutions first, then  
18 they're meeting with the customers to see, I guess, what  
19 solutions are more palatable or which ones make more  
20 sense, and then they're bringing all that package to us.  
21 So I'm looking at three different things and I'm -- what  
22 I'm trying to do is make sure when we hit that first  
23 timeline, if we're not there, then we need to make sure  
24 that we're making phone calls and we're energizing.  
25 Because I don't want to be here looking back saying, you

1 know, it wasn't my responsibility. They didn't return  
2 my phone call. I didn't know.

3 **MR. MAUREY:** I apologize for not being clear.  
4 A lot of the work on some of these solutions has already  
5 been done.

6 **CHAIRMAN GRAHAM:** Okay.

7 **MR. MAUREY:** They're going to be working to  
8 meet with the customers within 90 days.

9 **CHAIRMAN GRAHAM:** Okay. So the customer  
10 meeting is going to be within 90 days.

11 **MR. MAUREY:** That's my understanding.

12 **CHAIRMAN GRAHAM:** Okay.

13 **MR. MAUREY:** And now the solution with Brevard  
14 County for all this to fit together, because if they can  
15 get some rate relief from Brevard County, that could  
16 make some of these other solutions more palatable from a  
17 cost standpoint to the customer.

18 Now, as the utility mentioned earlier, this  
19 \$30,000 a year adjustment is -- it puts them in a loss  
20 situation. So that's not a sustainable model for this  
21 utility, so there is a natural incentive for them to  
22 come in sooner rather than later. And I think that was  
23 the suggestion for the 90 days to six months on their  
24 part to come back before us.

25 **CHAIRMAN GRAHAM:** Okay. Is that clear? Is

1 everybody on board with that? So say you all, so to  
2 speak?

3 **MR. DEREMER:** Yeah. We're in agreement with  
4 that. I mean, we -- we want to try to stay within the  
5 90 days. Obviously we're incentivized by the loss that  
6 we would be accepting for that period. And at that  
7 point, you know, hopefully all involved can come with a  
8 solution that would address that as a more global  
9 solution going forward so that -- my, my feeling is that  
10 the construction may take as much as 18 months. So you  
11 can see the importance of the unaccounted for water  
12 adjustment on this utility. We wouldn't want that to  
13 carry forward for, you know, now -- you know, if you add  
14 that to the 90 days, it would be 21 months. We'd want  
15 part of that solution that we would come back -- once  
16 it's determined and we're all in agreement -- would be  
17 an adjustment to the unaccounted for water once we've  
18 all agreed on an ultimate solution.

19 **CHAIRMAN GRAHAM:** Well, it sounds to me  
20 probably like the biggest -- the thing that's going to  
21 take the most time is going to get the County on board,  
22 because that's going to -- that's going to be something  
23 that needs to be proposed and approved, and that's a  
24 slow process.

25 **MR. DEREMER:** Right. And the County, you



1 know, the County's incentive is if, if they want to drag  
2 their feet, then they're going to own the system. So  
3 they're going to be encouraged to --

4 **CHAIRMAN GRAHAM:** I'm glad you said that and I  
5 didn't.

6 **MR. DEREMER:** Well, it's the -- here's what we  
7 have to speak is the truth; right? Because that's --

8 **MR. RENDELL:** Yeah. I -- yeah, I actually  
9 told them that yesterday.

10 **CHAIRMAN GRAHAM:** I was -- I was thinking it  
11 very loud, but I didn't say it.

12 **MR. DEREMER:** So the County will be  
13 incentivized to move. I -- I think everybody should be  
14 incentivized to move. We're in the best position to  
15 help these folks, but we have to stay focused on it.  
16 And I like -- I like the 90-day time frame. I don't  
17 want to go out much further than that. I want this  
18 revisited. I want it to be dealt with.

19 **CHAIRMAN GRAHAM:** Commissioner Patronis.

20 **COMMISSIONER PATRONIS:** Thank you. What --  
21 what extent of the dialogue -- give a little more  
22 details of what's been spoken to between you and Brevard  
23 County and where it stands. How -- how long has it  
24 been, this dialogue been going on? What do they realize  
25 the gravity of and --

1           **MR. RENDELL:** Well, I spoke to them yesterday  
2 morning before I drove up. I've worked with this  
3 gentleman in the past. He's helped us on another  
4 billing issue for this same meter. But I kind of  
5 explained to him the situation, kind of went over all  
6 the options that we're looking at, and also the option  
7 that, you know, if we can't get some type of relief,  
8 they may end up owning it, which they've gone through  
9 the abandonment before and inherited some. They made  
10 comment that we're actually in the wastewater business,  
11 but we have these little wastewater -- I mean, these  
12 water systems.

13                   So he asked for the information. I explained  
14 to him about the consumption. I emailed it to him. He  
15 had one follow-up, and he's going to get back with me.  
16 But he typically will get back to me pretty quick. I  
17 don't know if he has the capability of doing that, or it  
18 might have to go before the commission for a board vote,  
19 so they -- if they come up with a -- with a bulk rate.

20                   His -- his concern was if we reduce the rate  
21 for you, then the other rates may have to go up to  
22 cover, you know, bond covenants and capital structure --  
23 capital improvements. So I'm hopeful it's going to be  
24 in a relatively short period of time I'll know either  
25 way.

1           **CHAIRMAN GRAHAM:** Okay. Staff, help me  
2 craft -- help my colleagues craft a motion. So what  
3 needs to be in the motion?

4           **MR. MAUREY:** Well, with some help from my  
5 friends, we can vote the recommendation that's before us  
6 except for Issue 14, which -- "Should this docket be  
7 closed?" There is language here for it to be closed  
8 administratively once certain actions are met. We would  
9 continue to say no, but the docket is not going to close  
10 simply when the proposed agency action protest period  
11 expires. It will be left open for further  
12 consideration.

13           **CHAIRMAN GRAHAM:** Do we have to say that we  
14 are waiving that, that timeline or --

15           **MR. MURPHY:** Yes, sir. We -- the company  
16 would need to waive the timeline. I believe you would  
17 characterize our approval of the recommendation as Phase  
18 1, and that you would be leaving it over -- open for  
19 Phase 2.

20                   There's been some discussion of a 90-day  
21 clock. The question would be does that clock run from  
22 today, or does it run from the end of the protest  
23 period, or does it run from the issuance of the PAA  
24 order? Somebody needs to decide when we start the  
25 clock. And the clock is merely for them, as I

1 understand it, to get back with us for information. And  
2 then you had mentioned there are several other things  
3 that have to occur. Are those similarly on a clock, or  
4 are those more open-ended?

5 **CHAIRMAN GRAHAM:** Now, do we need for that 90  
6 days to be a -- just a guideline or for it to be hard  
7 fast?

8 **MR. MURPHY:** There were discussions with the  
9 company that -- that there's some possibility -- they  
10 seem to want the 90 days. But they're motivated, and  
11 it's a 90-day clock to get them to do something. I  
12 don't know that you need a clock at all. They're going  
13 to do something because they're motivated.

14 **CHAIRMAN GRAHAM:** I guess the question I have  
15 to the utility, if you have it hard fast, it makes it  
16 easier for you to negotiate on your -- on your end  
17 saying, look, it's got to be done now. You know, tell  
18 me something today.

19 **MR. DEREMER:** I think in our opinion we want  
20 some time frame because we want -- and we want OPC's  
21 involvement, too. We want -- we want some -- we want  
22 some definite time for closure. I mean, you know, you  
23 know, as a businessperson, I like to have a date, a  
24 finite date that we all work towards versus something  
25 open-ended. So we'd prefer it.

1           **CHAIRMAN GRAHAM:** I guess the question to OPC,  
2 you guys -- Mr. Sayler, you actually mentioned the 90  
3 days. So you guys are on board, your office is on board  
4 to make sure that your end of it is going to be there as  
5 well?

6           **MR. SAYLER:** When it comes to this, OPC will  
7 do its part to meet with the customers to explain what's  
8 going on and attempt to make contact, and I think that  
9 can be accomplished within 90 days. It might even be  
10 less.

11           The Brevard County solution might take longer  
12 than 90 days. But having a 90-day clock, as you  
13 mentioned, might provide the utility a little bit of  
14 leverage in discussing with Brevard County.

15           **CHAIRMAN GRAHAM:** Anything else?

16           **MR. MURPHY:** Does it run from the end of the  
17 protest period to the PAA? When -- what starts the  
18 clock?

19           **COMMISSIONER EDGAR:** I would suggest issuance  
20 of the order for Commission discussion.

21           **CHAIRMAN GRAHAM:** Is that the start of a  
22 motion?

23           **COMMISSIONER EDGAR:** If -- if you are so  
24 inclined, Mr. Chairman, I'll give it -- I'll give it a  
25 whirl.

1           **CHAIRMAN GRAHAM:** Commissioner Edgar, I would  
2 love for you to give this a whirl.

3           **COMMISSIONER EDGAR:** Okay. Thank you.

4           And, Commissioners, per the discussion that we  
5 have had here today, I move that we approve the staff  
6 recommendation for items -- or for Issues 1 through 13;  
7 that for Issue 14 we leave the docket open; that Issues  
8 1 through 13 be termed as a Phase 1 proposal; and that  
9 we use -- excuse me -- and that we leave the docket open  
10 for Phase 2 review and consideration, Phase 2 devoted to  
11 coming forward with a recommendation from our staff for  
12 a more long-term solution and options, however that  
13 works; and that we request and/or direct the utility and  
14 OPC to coordinate, communicate, and come to our staff  
15 within 90 days of the issuance of the order with  
16 suggestions to help facilitate the staff with Phase 2.

17           **MR. MURPHY:** And there are two orders. Is it  
18 the PAA or the consummating?

19           **COMMISSIONER EDGAR:** I'm sorry?

20           **MR. MURPHY:** Issuance of the PAA is what  
21 you're suggesting?

22           **COMMISSIONER EDGAR:** Yes, sir.

23           **MR. MURPHY:** Thank you.

24           **COMMISSIONER BROWN:** Second.

25           **CHAIRMAN GRAHAM:** I've got a motion and a

1 second. Any further discussion? All in favor, say aye.

2 (Vote taken.)

3 Any opposed? By your action, you have  
4 approved the Edgar motion.

5 **COMMISSIONER EDGAR:** Thank you. And I would  
6 just say, Mr. Chairman, I think that this is good  
7 progress. I appreciate, again, OPC and the company  
8 working together to come up with better options going  
9 forward.

10 **CHAIRMAN GRAHAM:** I -- I agree. I think  
11 the -- it seems like every meeting we have is another  
12 creative option. But I do thank -- I do want to thank  
13 everybody for participating in the open dialogue.

14 (Agenda item concluded.)

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1 STATE OF FLORIDA )  
2 : CERTIFICATE OF REPORTER  
3 COUNTY OF LEON )

4 I, LINDA BOLES, CRR, RPR, Official Commission  
5 Reporter, do hereby certify that the foregoing  
6 proceeding was heard at the time and place herein  
7 stated.

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

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

18 DATED THIS 31st day of July, 2015.

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25  


LINDA BOLES, CRR, RPR  
FPSC Official Hearings Reporter  
(850) 413-6734



## Brevard Waterworks, Inc.

- Two subdivisions – Oakwood and Kingswood
- Oakwood developed in two phases
  - 1963 – 1964
- Kingswood – 1964
- Utility received Certificate from FPSC in 1971
- Utility sold to Southern States Utilities – 1987
- Southern States Utilities filed rate case in Docket No. 920199-WS
  - PSC Order No. **PSC-93-0423-FOF-WS**, issued March 22, 1993, the Commission stated:

### *Oakwood*

*In its MFRs, the utility estimated that there were approximately 1,200 pipe joints leaking at a rate of 120,000 gallons per month.*

- Oakwood system is a very old distribution system with numerous galvanized iron services from the water main to the water meter.
- The majority of the mains are composed of Asbestos Cement Pipe (AC) pipe.
- Distribution system has been in this condition for numerous years (at least 23 years)
- Current owners have performed more maintenance, investigation, and evaluation than previous owners
- More evaluation since 1992 timeframe
- Financially disadvantaged system
  - High Bad Debt

Parties/Staff Handout  
Internal Affairs/Agenda  
on 7/21/15  
Item No. 22

- Numerous mains/meter located in back of property between trailers
  - Difficult to access
  - Difficult to turn off
  - Fences
  - Out buildings (sheds, workshops, etc.)
  - Dogs

Brevard County and FGUA did not want Oakwood and Kingswood Systems part of the CapBanded Rates – received subsidies

### **25-30.4325 Water Treatment and Storage Used and Useful Calculations**

(10) To determine whether an adjustment to plant and operating expenses for excessive unaccounted for water will be included in the used and useful calculation, **the Commission will consider all relevant factors**, including whether the reason for excessive unaccounted for water during the test period has been identified, **whether a solution to correct the problem has been implemented, or whether a proposed solution is economically feasible.**

❖ Staff Recommended Unaccounted for Water Adjustment - \$30,511

#### **Possible Solutions:**

1. Replace all mains and services moving to front of homes – cost prohibitive - \$835,437
  - a. Numerous homeowners would have to hire plumbers to install new services from home to meter by street
    - i. Financial burden on customers
  - b. Estimated increase in Revenue Requirement - \$98,878
    - i. Much higher water rates
2. Replace all mains and services with smaller diameter 2” line and leave in place at back of homes



- a. Estimated cost \$565,000
  - b. Estimated increase in revenue requirement - \$66,321
  - c. Homeowners will be required to remove fences and/or sheds from utility easements
  - d. Difficult to access – will need the easements behind residences cleared for access
  - e. Apply for bank loan for financing – questionable
    - i. Higher rate due to increase risk
  - f. U.S. Water Service make loan for construction
    - i. Interest rate of 4.5% - lower then equity return
    - ii. Lower overall Rate of Return – approximately 4.82%
    - iii. Lower Rev. Requ. Increase to approximately \$42,319
3. Replace all services – estimated costs – approximately \$200,000
- a. Estimated increase in Revenue Requirement - \$23,476
  - b. Current condition of existing mains makes option not viable
    - i. Mains in very poor condition – soft AC
    - ii. Based on site visit cannot replace services on existing mains
  - c. Homeowners will be required to remove fences and/or sheds from utility easements
  - d. Difficult to access – will need the easements behind residences cleared for access
  - e. May not be possible
    - i. Fences, sheds, buildings, swimming pools, etc.
4. Abandon Utility – turn over to Brevard County
5. Seek Grants and/or low interest loans
6. Assist County in replacing distribution system

Brevard Waterworks request assistance from both the Public Service Commission and the Office of Public Counsel in seeking funding.

# Oakwood Exempla

Portion of service territory

## Legend

-  3202 Brockett Rd
-  Water Main



Google earth



© 2015 Google

400 ft

# Oakwood Exempla

Portion of service territory

## Legend

-  3202 Brockett Rd
-  Water Main

Populatic St

Kittles St

Fay St

Brockett Rd

Google earth

© 2015 Google

400 ft

N



Bar



# Untitled Map

Write a description for your map.

## Legend

-  Feature 8
-  Feature 9



Google earth


© 2015 Google

6.15 ft

# Untitled Map

Write a description for your map.

## Legend

-  Feature 8
-  Feature 9







# Untitled Map

Write a description for your map.

## Legend

-  Feature 8
-  Feature 9



Google earth


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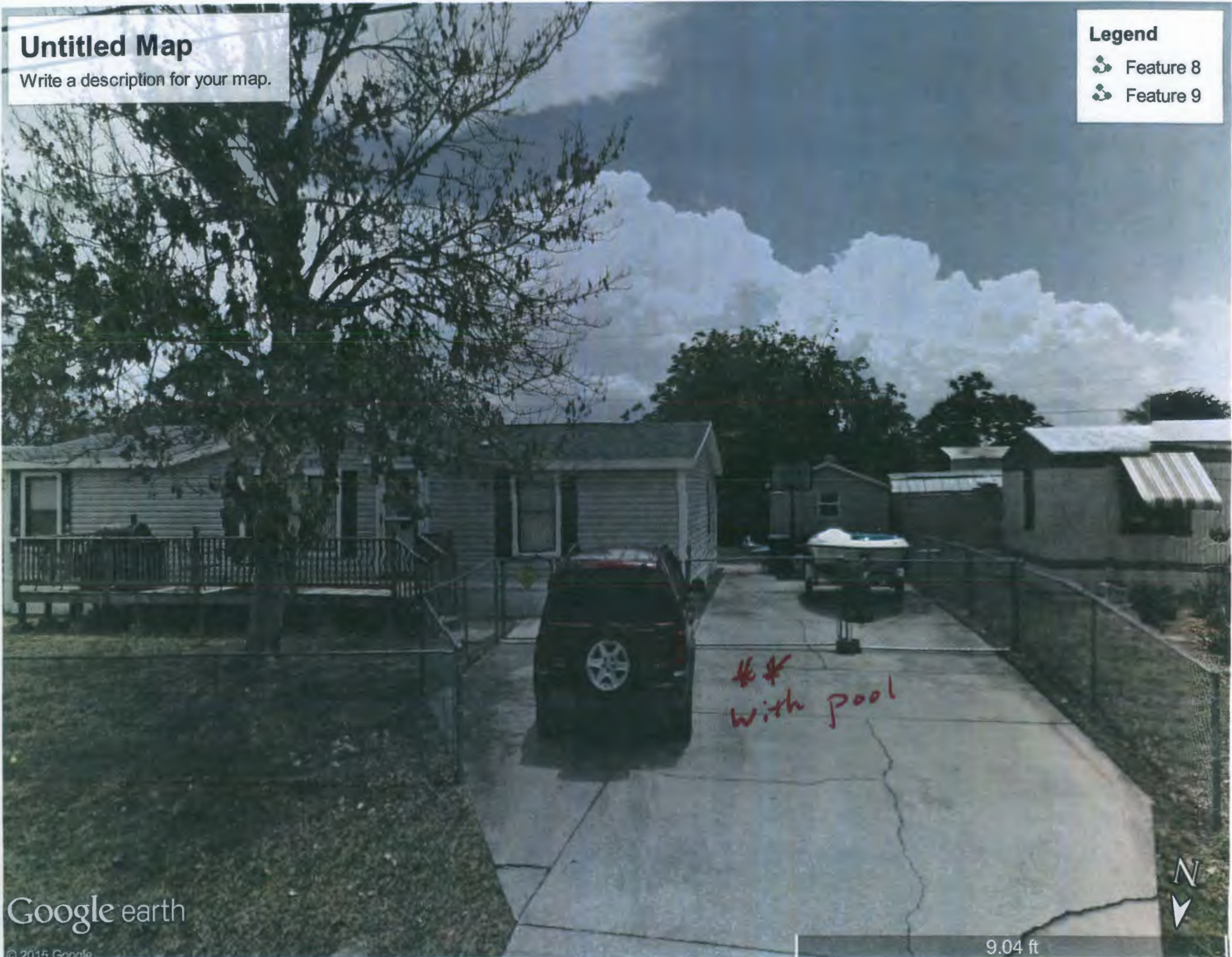
8.44 ft

# Untitled Map

Write a description for your map.

## Legend

-  Feature 8
-  Feature 9



\*\*  
with pool







**North Brevard Water System Water Rates Effective January 1, 2015**

<u>Meter Size</u> <u>Inches</u>	<u>Base Charge</u>	<u>Maximum Gallons in</u> <u>Base Charge</u>	<u>Usage Rate per 1,000 Gallons per Month</u>			
			<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Tier 4</u>
			\$4.46	\$6.47	\$9.37	\$12.64
			<u>Usage Tiers, Thousand Gallons per Month</u>			
3/4	\$14.24	3,000	3-8	8-16	16-24	>24
1	\$23.72	5,000	5-12	12-18	18-24	>24
1 1/2	\$56.94	12,000	12-32	32-64	64-96	>96
2	\$99.64	21,000	21-42	42-84	84-168	>168
3	\$227.78	48,000	48-96	96-182	182-364	>364
4	\$403.35	85,000	85-170	170-340	340-680	>680
6	\$911.12	192,000	192-384	384-768	768-1536	>1536
8	\$1,613.36	340,000	340-680	680-1300	1300-2200	>2200

1. The minimum monthly charge for a meter larger than eight (8) inches shall be determined by the Utility Services Director prior to connection, based upon a consideration of a minimum equivalent rate.
2. An additional monthly fee of \$1.00 per residential unit shall be charged for fire hydrant rental. The monthly fire hydrant rental for commercial units shall be \$1.00 per Equivalent Residential Connection (ERC) based on monthly water usage (1 ERC = 7,600 gallons per month).
3. When the Utility Services Director determines that circumstances beyond the control of the customer have resulted in a water bill that is significantly burdensome, upon the request of the customer, the water bill of a single family residential customer may be adjusted. The use of system water for irrigation supply shall be deemed within the customer's control.

**MISCELLANEOUS CHARGES FOR WATER:**

Account Set-up Charge	\$15.00
After Hours Service Activation Charge	\$30.00
Re-Activation Charge	\$15.00
Delinquent Charge	\$30.00
Hydrant Meter Charge	\$150.00
Meter Replacement Charge	\$30.00

**Fire Line Rates:**

Annual Charges	2-4"	80.00
	6"	100.00

Parties Staff Handout  
 Internal Affairs/Agenda  
 on 7/21/15  
 Item No. 22