

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for staff-assisted rate case)
in Brevard County by Brevard Waterworks, Inc.,) DOCKET NO. 140186-WU
) Dated: November 19, 2015
)
_____)

Pursuant to PSC Order No. PSC-15-0329-PAA-WU (PAA Order), issued August 14, 2015 in Docket No. 140186-WU, Brevard Waterworks, Inc. respectfully submits to this Commission its analysis of the unaccounted for water in the water distribution system. By the above referenced PAA Order, the Commission Ordered the utility to submit a long term solution and options of how best to address the significant issues regarding the water system and rates. The proposal was to include a review of available options and the implications of each such option.

In addition, the Commission stated that as Phase II of the above referenced proceeding, Brevard Waterworks, Inc. shall work with the Office of Public Counsel and Brevard County within 90 days of the issuance of the PAA Order.

Subsequent Actions Taken:

- I. Brevard Waterworks, Inc. worked with Brevard County to establish a more reasonable purchased water rate. At the October 6, 2015 Board of County Commissioners regularly scheduled meeting, the County Commission approved a Rate Class and rate for Brevard Waterworks, Inc. for the Oakwood and Kingswood subdivisions.
- II. The newly established rates, which will be effective in November 2015, is estimated to reduce the purchased water costs by approximately \$30,000 by the County. In the above referenced PAA Order, the Commission reduced Brevard Waterworks'

purchased water expense by \$30,511. The amount of purchased water expense included in Phase I rates in the PAA Order was \$84,626.

- III. Based on the County's estimate, Brevard Waterworks believes with the reduction in the purchased water rates from the County, that the actual amount of prospective purchased water should equal the amount approved in the current Phase I rates, thereby eliminating the shortfall in purchased water expense to the Utility.
- IV. Brevard Waterworks worked closely with the Office of Public Counsel to finalize a customer meeting notice to be sent out to the customers.
- V. Brevard Waterworks sent the Office of Public Counsel's Customer Meeting Notices twice on August 19, 2015, and on October 21, 2015.
- VI. The Office of Public Counsel held two private meetings with the customers on September 8, 2015; and on September 29, 2015 in the service area.
- VII. Brevard Waterworks and the Office of Public Counsel held the third customer meeting together on October 29, 2015 in the service area.
- VIII. Brevard Waterworks utilized the engineering services of U.S. Water Services Corporation pursuant to its Operation and Maintenance (O&M) contract to prepare Engineering Plans for the replacement of the existing water distribution system throughout the Oakwood subdivision, as well as Bid Documents for the project.
- IX. The Legal Advertisement for the Invitation to Bid the Replacement Project was published on September 23, 2015 with bids due on October 16, 2015. In addition, Brevard Waterworks mailed the complete bid package to the two outside companies who had previously provided estimates during the Phase I portion of this proceeding.

- X. Although several outside companies expressed interested and obtained additional information on the Replacement Project from U.S. Water Services Corporation, only one company submitted a bid on October 16, 2015.
- XI. Based on the bid received and the additional engineering and supervision costs, the total cost of the Replacement Project was estimated to be approximately \$428,040.
- XII. Brevard Waterworks supplied the calculation of the impact of the Replacement Project to the Office of Public Counsel (Attached). This included the cost of the project, the necessary amortization of loss on the retired assets, depreciation expense, rate of return, and regulatory assessment fees. Based on this analysis, it was calculated that the potential increase to the existing Phase I rates would be 31.04%. Brevard Waterworks, Inc. supplied the Office of Public Counsel with a Preliminary Rate Schedule of this impact, which was included in the Customer Notices mailed to the customers and handed out at the meetings.
- XIII. At the first two private meetings with the Office of Public Counsel, only one customer attended both meetings.
- XIV. At the last open meeting, approximately 17 – 20 customers attended. In addition, one customer presented a signed Petition to the Office of Public Counsel with 121 signatures, although some signatures were duplicative and either represented the same address or multiple addresses. This Petition was in opposition to the Replacement Project and the subsequent proposed increase to water rates. The Replacement Project was explained by both the Office of Public Counsel and Brevard Waterworks to the customers. It was explained that this process was being required pursuant to the PAA Order in order to fully explore all options and obtain feedback directly from

the customers. It was also explained that this Replacement Project was not being forced on the customers and their input was necessary to fully analyze all options. Both OPC and Brevard Waterworks also explained the necessity of requiring the utility easement be cleared on the back of the majority of the customers' properties. Also discussed was the option of moving the distribution system to the front of the properties which would require additional expense on the part of the homeowners to hire a licensed plumber to install service lines from the homes to the meter in front of the property. It was explained that this option would also be more costly to the utility. The customers in attendance expressed their concerns and opposition to these items at the meeting.

Conclusion of Analysis:

Based on the overwhelming opposition to the Replacement Project from its customers, Brevard Waterworks believes that going forward with this project is not necessary or prudent at this time. As explained at the Commission's Agenda Conference, this Replacement Project will cause further financial burden to the utility's customers.

Brevard Waterworks remains concerned with the increasing unaccounted for water issues in the Oakwood subdivision. Brevard Waterworks had intended to move forward with the Replacement Project prior to the final customer meeting. The Utility is amenable to moving forward at the direction of the Florida Public Service Commission, but at this time is unable to accept the risk of the significant capital investment without some assurance of recovery in rates from the Commission and support from OPC. It should be noted, Brevard Waterworks is still

responsible for payment of the purchased water expense to Brevard County for flushing maintenance and line breaks.

Since the prospective rates charged by Brevard County will reduce the purchased water costs approximately equal to the Commission's previously approved reduction, Brevard Waterworks, Inc. does not believe it is necessary to re-visit the Commission approved reduction adjustment in purchased water expense at this time. If Brevard County had not approved the rate reduction, it would be necessary for Brevard Waterworks to request the Commission to reconsider its adjustment and reverse this reduction.

Brevard Waterworks, Inc. provided a preliminary copy of this analysis to the Office of Public Counsel for review and comments. After review, OPC made Brevard Waterworks aware of Section 367.081(4)(b), Florida Statutes. The provisions of this statute provide for an automatic increase or decrease in purchased water costs related to purchase from either a governmental authority or private utility. Brevard Waterworks has explained to OPC that the net effect is identical. If the provision of this statute is adhered to, then Brevard Waterworks would thereby request the Commission to revisit its previously approved adjustment to reduce the purchase water for excessive unaccounted for water. This would have the effect of increasing the Operating Expenses by \$30,511, then reducing the expense by the same amount for the expected reduction of \$30,000. Again, the net effect would result in an approximate zero effect on the approved revenue requirement. The provisions in this statute provides a safeguard that a utility will not overearn, or exceed its approved return on equity, as a result in a reduction in expenses. This is not the case. In the Commission's PAA order, it was acknowledged that the utility's

adjusted purchased water expense for the test year was \$110,581. The Commission approved additional increases to this expense in the amount \$4,556 and a reduction in the amount of \$591 for a purchased water expense of \$84,626. The total amount of the Commission approved reduction related to unaccounted for water was \$30,551. With the anticipated reduction in expense by the County, the resultant purchased water expense would be approximately \$85,137.

Brevard Waterworks believes that OPC's concern is misplaced. Section 367.081(4)(b), F.S. is for pass through applications filed outside of a rate case. Since the instant proceeding is a Staff Assisted Rate Case, the Commission has authority to review all relevant information concerning the establishment of prospective rates. In a pass through application filed by a utility, the review is performed by the staff and is very limited in scope. These reviews on purchased water typically focus on just the change and rates by the provider and don't typically review unaccounted for water and/or used and useful. In pass through filings, the PSC staff has the administrative authority to approve the request without going through a formal Commission approval. In the instant SARC, the Commission has the discretion to review all relevant information, including adhering to its rules on whether to make necessary adjustments.

If the Commission were to reject the request to revisit and reverse its previously approved adjustment while also reducing the purchased water expense by an additional \$30,000, there would be a significant shortfall in expense recovery to Brevard Waterworks of approximately \$60,511, which will leave no alternative then to proceed forward with the water distribution replacement. As was previously discussed at the Commission Agenda Conference, if Brevard Waterworks was forced to proceed forward with the distribution system replacement project, the

Utility would request that during the pendency of the completion of the project that no reduction in purchased water be recognized in acknowledgment that the utility was proceeding forward with the required project in good faith. In that manner, the utility would be made whole on its expense that is charged by the County.

Further, as previously explained to the Commission, Rule 25-30.4325(10), Florida

Administrative Code states:

(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***. (emphasis added)

Brevard Waterworks, Inc. respectfully submits that in future rate proceedings, the Commission consider the analysis conducted in this instant proceeding of the proposed solution and the economic feasibility of the project when considering whether an adjustment be made for excessive unaccounted for water.

Request for Recovery of Additional Costs:

In addition, Brevard Waterworks requests that the Commission consider the costs required by the PAA Order to analyze the Replacement Project. Brevard Waterworks incurred (i) Engineering costs; (ii) publication costs of Bid; (iii) customer notice mailing costs; and (iv) travel costs to attend both the customer meeting, as well as the subsequent Commission Agenda Conference.

Brevard Waterworks proposes that these costs of approximately \$19,262 be amortized over a five (5) year period to reflect that these costs are non-recurring in nature, which is consistent with prior Commission practice. This proposed consideration would be an increase of \$4,034 in

revenue requirement grossed up for regulatory assessment fees or an increase in the existing PAA Phase I rates by approximately 2.47%.

The National Association of Regulatory Commissioners' (NARUC) Uniform System of Accounts (USoA) for Account 183 states:

183. Preliminary Survey and Investigation Charges

A. This account shall be charged with all expenditures for preliminary surveys, plans, investigations, etc., made for the purpose of determining the feasibility of projects under contemplation. If construction results, this account shall be credited and the appropriate utility plant account charges. If the work is abandoned, the charge shall be to account 426 – Miscellaneous Nonutility Expense, or **to the appropriate operating expense account unless otherwise ordered by the Commission** (See account 675 – Miscellaneous Expense). (emphasis added)

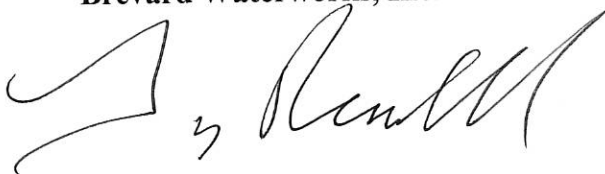
The NARUC USoA for Account 675 states:

675. Miscellaneous Expenses

11. Write off of expenditures for preliminary surveys, plans, investigations, etc., included in account 183 – Preliminary Survey and Investigation Charges, relative to projects which have been abandoned.

Since the analysis of viable options was Ordered by this Commission, Brevard Waterworks requests that the Commission approve the increase in rates for recovery of the additional expenditures incurred as a result of this Ordered analysis by the Commission.

Respectfully Submitted:
Brevard Waterworks, Inc.



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

Brevard Waterworks, Inc.
Docket No. 140186-WU

Analysis of Oakwood Distribution System Replacement:

Preliminary Cost Estimates (subject to change):

	<u>Oxford</u>
Bids	\$ 357,540
Administrative oversight and supervision	\$ 34,746
Engineering / Design (10% of total install)	\$ 35,754
	<u>\$ 428,040</u>

Average preliminary estimates: \$ 428,040.00

Depreciation - (average of Mains & Services)

Mains - 2.33%	2.33%
Services - 2.5%	2.50%
Average:	2.42%

Assume 1/2 year convention for Accum. Depreciation \$ 5,168.58

Net Plant Increase for Replacement \$ 422,871.42

Retirement of existing Plant In Service:

	<u>Plant</u>	<u>Retirement Adj</u>	<u>Net</u>
331 Transmission and Distribution Mains	\$ 21,570	\$ (21,570)	\$ -
333 Services	\$ 11,644	\$ (11,644)	\$ -
	<u>Accum Deprec</u>		
331 Transmission and Distribution Mains	\$ (10,947.19)	\$ 21,570	\$ 10,623
333 Services	\$ (6,192.01)	\$ 11,644	\$ 5,452
Adjustment to Accum Depreciation			\$ 16,075

Total Net Increase to Rate Base: \$ 438,946.21

Rate of Return - Order No. PSC-15-0329-PAA-WU 8.19%

Return \$ 35,949.69

Depreciation Expense - 1 year on replacement costs \$ 10,337.17

Loss on Early Retirement - Rule 25-30.433(9), F.A.C.:

Net loss on retirement	\$ 16,075
Annual Depreciation Expense	\$ 900.00
Rate of Return on net retired asset:	\$ 1,316.53
Ratio of Loss to (Dep. and return)	7.25 years
Loss amortization	\$ 2,216.53

Net increase in Revenue Requirement \$ 48,503.39

RAF gross up 0.955

Total increase to Revenue Requirement \$ 50,788.89

Revenue Requirement - Order No. PSC-15-0329-PAA-WU \$ 163,627.00

Percentage (%) Increase **31.04%**

Brevard Waterworks, Inc.
Water Monthly Service Rates
Test Year Ended 08/31/14

Docket No. 140186-WU

Commission Approved PAA Rates	Percentage Increase	Preliminary Rate Increase Phase 2 Rates
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Residential, Irrigation and General Service

Base Facility Charge by Meter Size:

5/8" x 3/4"	\$21.38	31.04%	\$28.02
3/4"	\$32.07	31.04%	\$42.02
1"	\$53.45	31.04%	\$70.04
1-1/2"	\$106.90	31.04%	\$140.08
2"	\$171.04	31.04%	\$224.13
3"	\$342.08	31.04%	\$448.26
4"	\$534.50	31.04%	\$700.41
6"	\$1,069.00	31.04%	\$1,400.81
8"	\$1,710.40	31.04%	\$2,241.30
10"	\$2,458.70	31.04%	\$3,221.87

Gallonage Charge, per 1,000 Gallons

Charge per 1,000 gallons - Residential and Irrigation

0 - 4,000 gal	\$10.73	31.04%	\$14.06
Over 4,000 gal	\$16.10	31.04%	\$21.10
Charge per 1,000 gallons - General Service	\$11.69	31.04%	\$15.32

Typical Residential Bills 5/8" x 3/4" Meter

4,000 Gallons	\$64.30	\$84.26
6,000 Gallons	\$96.50	\$126.45
10,000 Gallons	\$160.90	\$210.84

Brevard Waterworks, Inc.
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Replacement Project Costs:

Engineering Fees:	\$ 17,644.00
Legal Ad - Bid	\$ 444.00
Noticing	\$ 476.70
Travel	\$ 697.55
Total Additional Cost	\$ 19,262.25
5 Year Amortization	\$ 3,852.45
Grossed up for RAFs	\$ 4,033.98
Revenue Requirement - Order No. PSC-15-0329-PAA-WU	\$ 163,627.00
Increase in Rates	2.47%



New Port Richey, FL 34652

Invoice

Invoice #	820253
Date	10/31/2015
Due Date	11/30/2015
Account #	706
P.O. No.	

Bill To
Brevard Waterworks, Inc. Attn: Joe Gabay 4939 Cross Bayou Boulevard New Port Richey, FL 34652

All service pricing anticipates payment by Check or ACH. Due to additional costs incurred, services paid by credit card will require an additional "pass through" 3% processing fee in order for cards to be accepted.

Project
706-19 Oakwood Water Sys Replacement

Date	Description	Hours	Rate	Amount
	Engineering Services: Water System Replacement			
	Engineering Hours for July 2015 through October 2015 Design and preparation of Bid Documents. Mo Kader, P.E. Director of Engineering	63	145.89	9,191.07
	Keith Keegan, P.E. Engineer III	66	130.28	8,598.48

		Total	\$17,789.55
Phone #	Fax #	Payments/Credits	\$0.00
727-848-8292	727-848-7701	Balance Due	\$17,789.55

Troy Rendell

From: LEGALS, BRE
Sent: Tuesday, September 22, 2015 3:28 PM
To: Troy Rendell
Subject: RE: Legal Notice - Florida Today

Today you paid in full \$443.57 for your ad to publish on the 24th in Florida today

Kiara Toscano
Regional Legal Clerk



Office: 888-516-9220 ext.3741
ktoscano@gannett.com

*****PLEASE NOTE:** An Affidavit of Publication (which is a notarized document, a proof that you legally published your notice in the newspaper) **will be charged** and automatically added to your invoice unless you let us know **in writing (before the notice publishes)** that you do not wish to have an affidavit charged and included in your invoice.

From: Troy Rendell [<mailto:trendell@uswatercorp.net>]
Sent: Tuesday, September 22, 2015 2:18 PM
To: LEGALS, BRE <BRELEGALS@gannett.com>
Subject: Legal Notice - Florida Today

Good afternoon – I'd like some information on placing a Legal Advertisement for Requests for Bids in the Florida Today.

Attached is the Draft Notice which I will need placed.

Can you please send me information on placement, price, etc?

Thanks for your assistance.

Troy Rendell
U.S. Water Services Corporation



Classified Ad Receipt
(For Info Only - NOT A BILL)

Customer: BREVARD WATERWORKS, INC.
Address: 4939 CROSS BAYOU BLVD
NEW PORT RICHEY FL 34652
USA

Ad No.: 0000743313
Pymt Method Credit Card
Net Amt: \$443.57

Run Times: 1

No. of Affidavits: 1

Run Dates: 09/24/15

Text of Ad:

AD#743313 09/24/2015
INVITATION TO BID

BREVARD WATERWORKS, INC.
BREVARD COUNTY, FLORIDA

Date: 9/22/2015

BID NO.706-19; BREVARD WATERWORKS
WATER SYSTEM REPLACEMENT

Sealed proposals for 706-19/BREVARD WATERWORKS WATER SYSTEM REPLACEMENT addressed to Brevard Waterworks at 4939 Cross Bayou Blvd., New Port Richey, FL 34652 will be received until 3:00 p.m. EDT, on October 16, 2015, at which time all proposals will be publicly opened and read aloud. Any bids received after the time and date specified will not be accepted and shall be returned unopened to the Bidder.

A NON-MANDATORY pre-bid conference and shall be held at 9:00 A.M. Local Time, on the 6th day of October, 2015 in the offices of U.S. Water Services Corporation, 4939 Cross Bayou Blvd., New Port Richey, FL 34652 at which time all prospective Bidders may have questions answered regarding the Bidding Documents for this Project. Attendance at the pre-bid conference is encouraged but not mandatory.

Sealed envelopes containing bids shall be marked or endorsed "Proposal for Brevard Waterworks, Bid No. 706-19 and Bid Date 10/16/2015." No bid shall be considered unless it is made on the Bid Form which is included in the Bidding Documents. The Bid Form (Section 00300) shall be removed from the Bidding Documents prior to submittal.

One contract will be awarded for all work to be performed pursuant to this invitation to bid. Bidding Documents may be examined in the office of:

U.S. Water Services Corporation Office,
4939 Cross Bayou Blvd., New Port Richey,
FL 34652, Telephone (727) 848-8292.

Prospective bidders may obtain the Bidding Documents free of charge, in PDF file format, from U.S. Water Services Corporation, by email request to kkeega n@uswatercorp.net. Bid documents will be made available by the close of business on Monday, September 25, 2015.

Each bid shall be accompanied by a certified or cashier's check or a Bid Bond in an amount not less than five percent (5%) of the total Bid to be retained as liquidated damages in the event the successful Bidder fails to execute the Agreement and file the required bonds and insurance within ten (10) calendar days after the receipt of the Notice of Award.

The successful Bidder shall be required to furnish the necessary Performance and Payment Bonds, as prescribed in the General Conditions of the Contract Documents. All Bid Bonds, Performance and Payment Bonds, Insurance Contracts and Certificates of Insurance shall be either executed by or countersigned by a Florida licensed agent of the surety or insurance company doing business in the State of Florida. Further, the said surety or insurance company shall be duly licensed and qualified to do business in the State of Florida. Attorneys-in-fact that sign Bid Bonds or Performance and Payment Bonds must file with each bond a certified and effective dated copy of their Power of Attorney.

In order to perform public work, the successful Bidder shall, as applicable, hold or obtain such contractor's and business licenses, certifications and registrations as required by State statutes and local ordinances.

Before a contract will be awarded for the work contemplated herein, the

the work contemplated herein, U.S. Water Services shall conduct such investigations as it deems necessary to determine the performance record and ability of the apparent low Bidder to perform the size and type of work specified in the Bidding Documents. Upon request, the Bidder shall submit such information as deemed necessary by the U.S. Water Services to evaluate the Bidder's qualifications.

The Successful Bidder shall be required to fully complete all Work to be performed pursuant to this invitation to bid within 180 calendar days from and after the Commencement Date specified in the Notice to Proceed.

U.S. Water Services reserves the right to reject all Bids or any Bid not conforming to the intent and purpose of the Bidding Documents, and to postpone the award of the contract for a period of time which, however, shall not extend beyond 120 days from the bid opening date.

Dated this 22th day of September, 2015.

U.S. Water Services Corporation
New Port Richey, Florida

BY: Keith Keegan, P.E.
Project Engineer

Analysis of Rate Case Expense

Florida Public Service Commission

Brevard Waterworks, Inc.
Docket No. 140186-WU

Schedule: RCE
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Explanation: Provide the total amount of rate case expense requested in the application. State whether the total includes the amount up to proposed agency action or through a hearing before the Commission. Provide a breakdown of the total by persons assisting in the application, including the hours billed, the hourly rate, and a detailed list of services provided. Also provide the amortization and its allocation, including support behind this determination.

Line No.	(1) Firm or Vendor Name	(2) Counsel, Consultant or Witness	(3) Hourly Rate	(4) Total Est of Firm's Charges	(5) Type of Service Rendered	(6) Comments	(7) Hours
1	<u>Legal</u>						
2	N/A						
3	<u>Sub-Total Legal</u>			0	Legal		
4				0			
5							
6	<u>Other</u>						
7	First Customer Notice - Customer Meeting	Rendell		\$ 238.35	Notices - printing & mailing	PSC Rule - past Commission practice	
8	Customer Notice - Final Customer Meeting	Rendell		\$ 238.35	Notices - printing & mailing	PSC Rule - past Commission practice	
9	Travel - Customer Meeting	Rendell		\$ 318.30	Attend Customer Meeting	Customer Meeting - Lodging, Mileage & Meals	
10	Travel - PAA Agenda	Rendell		\$ 379.25	Attend PAA Agenda	PAA Agenda - Lodging, Mileage & Meals	
11	<u>Sub-Total Other</u>			1,174			
12	Total Estimate Through PAA [X] or Commission Hearing []			<u>\$ 1,174.25</u>			
13	Allocation to this Rate Group:						
14							
15		Water	Water	Sewer	Sewer		
16	Allocated Total	Allocation %	Amount	Allocation %	Amount		
17	Amortization of Rate Case Expense:	100.00%	1,174	0.00%	0		
18	Amortization Period in Years:		4		4		
19	Amortization Amount per year		<u>294</u>		<u>0</u>		
20	Deferred Rate Case Expense (for CWC on A-3)						
21	=(Allocated Total less first year amortization)/2			<u>440</u>		<u>0</u>	
22							
23	Method of Allocation Between Systems (Provide Calculation):						
24	Note: Allocation is by # of customers of the systems in this rate case filing						

Brevard

Hotel - Brevard Meeting	\$	102.00
Mileage		
162 one way X 2		324
IRS Mileage allowance	\$	0.575
	\$	186.30
Meals		
Lunch & Dinner - State of Florida	\$	30.00
Brevard	\$	318.30

Tallahasee		
Hotel - Hotel Meeting	\$	102.00
Mileage		
215 one way X 2		430
IRS Mileage allowance	\$	0.575
	\$	247.25
Meals		
Lunch & Dinner - State of Florida	\$	30.00
Brevard	\$	379.25

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<u>Customer:</u>	<u>Envelopes</u>	<u>Postage</u>	<u>Printing</u>	<u>Total</u>
227	\$ 0.05	\$ 0.50	\$ 0.50	
	\$ 11.35	\$ 113.50	\$ 113.50	\$ 238.35

Two Customer Notice Mailings \$ 238.35

Total \$ 238.35