

Brevard Waterworks, Inc.

August 1, 2016

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 – Supplemental Information for Staff Recommendation

Dear Commission Clerk,

Brevard Waterworks, Inc. (Brevard Waterworks) hereby submits additional information to this Commission for consideration for the Staff Recommendation to be filed on August 31, 2016 for the Commission Agenda on September 13, 2016.

Brevard County

Brevard Waterworks has once again contacted Brevard County concerning the water utility. Based on the most recent conversation with the Utility Director of Brevard County, it was once again confirmed to Brevard Waterworks that Brevard County continues to have no interest in purchasing the water systems. In addition, at the request of the Office of Public Counsel, Brevard Waterworks inquired as to the main replacements the County was undertaking. Brevard County confirmed that they were replacing some AC piping in the area. However, the County could not undertake any replacements past the master meter for Brevard Waterworks. This is similar to a regulated private utility not undertaking any repair/replacements past its water meters on the customer's side.

Water Management District

Brevard Waterworks contacted the St. Johns River Water Management District (SJRWMD) concerning possible cost sharing. Brevard Waterworks discussed the project with the SJRWMD to determine whether the replacement project would qualify under the Cooperative Funding program. Unfortunately, the SJRWMD indicated that this replacement project would not be eligible under the program. The only way it may be considered would be if the utility system was contained in one of the Rural Economic Development Initiative (REDI) communities. It was confirmed by the SJRWMD that Brevard County is not in one of the REDI communities and as such would also not be eligible under this program. In general, a REDI community is economically disadvantaged and may also be unincorporated federal enterprise communities, or an incorporated rural city that is not located in a designated rural county. Funding for REDI communities may be used to sustain and enhance safe drinking water supplies as well as maintain and enhance wastewater systems. Although the SJRWMD acknowledged that the project would be beneficial for water conservation, there is no cooperative funding available.

Department of Environmental Protection

Brevard Waterworks will continue to explore the possibility of a low interest loan through the State Revolving Fund with the Department of Environmental Protection. However, there is a technical issue with the way private (regulated) utilities obtain funding through the SRF. For private utilities, the construction project must be completed **prior** to any disbursement of funds through the SRF.

Brevard Waterworks has attempted to contact the FDEP several times concerning its loan program and is still hopeful that this project will be eligible. Brevard Waterworks will continue to work with the FDEP to explore all possible opportunities to obtain a low interest loan in order to move forward with the project. As explained below, Brevard Waterworks believes there should not be a significant impact on the customers if the utility is able to obtain low interest financing. Later in this response, the analysis indicates that the resulting rates may be at or slightly above the existing rates approved by this Commission in the Phase I rates.

Purchase Water Analysis

Brevard Waterworks has further analyzed the Commission Staff's purchase water analysis sent to the utility on January 11, 2016. Brevard Waterworks agrees with the Staff's analysis with the exception of revising the fire hydrant charge to reflect the most recent charges. Brevard Waterworks has attached this revised spreadsheet.

Brevard Waterworks acknowledges that there is a reduction of approximately \$30,823 to the existing purchased water expense previously approved by the Commission. It should be noted that Brevard Waterworks took this initiative on its own in order to lower the purchased water costs to its existing customers. Brevard Waterworks appreciates the cooperation it received from the Brevard County Utility Director.

Error in Capital Structure

Upon further review, Brevard Waterworks discovered an error in the capital structure approved by the Commission in Order No. PSC-15-0329-PAA-WU, issued August 14, 2015. This capital structure is contained on page 26 of the above order. In the "Percent of Total" column the percentages of the components of the capital structure do not add up to 100%. The error is in the "Total Common Equity" percentage. The actual Percent of Total for the common equity should be 93.39%. When this corrected percentage is applied to the 8.74% cost rate, the corrected Weighted Cost of Capital should be 8.29% and **not** 8.19%. The difference in Revenue Requirement is \$85.21 (\$6,776 - \$6,691). This is an immaterial amount, but should be corrected for future reference and overearnings surveillance purposes.

As previously indicated, there is a possibility that the amount of this reduction in the purchased water expense obtained by Brevard Waterworks from Brevard County would supply additional funds for the costs of the replacement project. For example, if Brevard Waterworks is able to

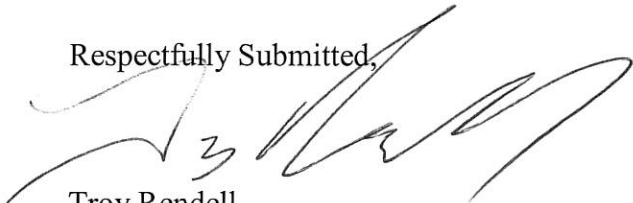
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obtain a long term loan at a 4% interest rate, the additional revenues would almost cover the increase to the revenue requirement. Assuming the total cost of the project to be \$428,040 with a 4% loan, the overall rate of return would reduce to 5.23% (instead of 8.29%). The overall increase to revenue requirement, including the amortization of the loss on retirement, would be approximately \$36,671.

However, Brevard Waterworks is optimistic that it will be able to obtain a much lower interest rate through the FDEP's SRF program. If Brevard Waterworks were able to secure a lower interest loan through the SRF, this amount may be reduced further, and the resulting rates would be significantly lower than was originally calculated for Phase II rates.

If you have any further questions, please do not hesitate to contact me at (727) 848-8192, ext. 245.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Troy Rendell', written over a horizontal line.

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

November 2015 Rates

**This annualization utilized audit's normalization of gallonage in the test year

Nov 2015 Usage Rate per 1,000 gallons

\$ 4.46

Kingswood

	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	
Flows (in 1,000s)	132	141	123	114	119	117	126	134	147	178	128	126	
Usage Charge	\$ 588.72	\$ 628.86	\$ 548.58	\$ 507.99	\$ 532.52	\$ 520.48	\$ 563.30	\$ 597.19	\$ 655.17	\$ 792.10	\$ 569.10	\$ 561.96	
Base Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
hydrant Charge	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	\$ 18.68	
Monthly	\$ 607.40	\$ 647.54	\$ 567.26	\$ 526.67	\$ 551.20	\$ 539.16	\$ 581.98	\$ 615.87	\$ 673.85	\$ 810.78	\$ 587.78	\$ 580.64	\$ 7,290.14

Oakwood

4 inch

	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	
Flows (in 1,000s)	461	527	529	486	562.2	554	528.8	519.2	516.1	617	546.1	512	
Usage Charge	\$ 2,056.06	\$ 2,350.42	\$ 2,359.34	\$ 2,167.56	\$ 2,507.41	\$ 2,470.84	\$ 2,358.45	\$ 2,315.63	\$ 2,301.81	\$ 2,751.82	\$ 2,435.61	\$ 2,283.52	
Base Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
hydrant Charge	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	\$ 71.70	
Monthly	\$ 2,127.76	\$ 2,422.12	\$ 2,431.04	\$ 2,239.26	\$ 2,579.11	\$ 2,542.54	\$ 2,430.15	\$ 2,387.33	\$ 2,373.51	\$ 2,823.52	\$ 2,507.31	\$ 2,355.22	\$ 29,218.86

Oakwood

3/4"

	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	
Flows (in 1,000s)	359	411	289	256	348	407	395	463	518	599	500	415	
Usage Charge	\$ 1,601.14	\$ 1,833.06	\$ 1,288.94	\$ 1,140.87	\$ 1,550.74	\$ 1,814.77	\$ 1,759.47	\$ 2,064.98	\$ 2,310.73	\$ 2,671.99	\$ 2,231.34	\$ 1,850.90	
Base Charge	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Monthly	\$ 1,601.14	\$ 1,833.06	\$ 1,288.94	\$ 1,140.87	\$ 1,550.74	\$ 1,814.77	\$ 1,759.47	\$ 2,064.98	\$ 2,310.73	\$ 2,671.99	\$ 2,231.34	\$ 1,850.90	\$ 22,118.92

Nov 2015 Annualized \$ 58,628