

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 19, 2016,
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Melinda Watts, Engineering Specialist, Division of Engineering *MW*
RE: Docket No.130105-WS-Application for certificates to provide water and
wastewater service in Hendry and Collier Counties, by Consolidated Services of
Hendry & Collier, LLC. *RFH*

Please file the attached response to Staff's First Data Request in the above mentioned Docket File.

Thank you.



Ms. Melinda Watts
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399

October 19, 2016

Re: Response to First Data Request - Docket No. 130105-WS

Ms. Watts,

In response to the comment letter dated September 29, 2016, please find the following answers to each of the questions that you asked. Several of the responses were provided by our utility engineer. In addition, by way of e-mail, I am attaching the excel spreadsheets that were used in calculating the projected rates. Should you have any question with any of this information, please do not hesitate to contact me.

1. Have there been any infusions of common equity? If so, what investments have been made and when did they occur?

There have not been any infusions of common equity. That will not occur until the utility is ready for construction.

2. According to Exhibit F of the Rate Study, the Utility has included debt in the amount of \$285,899.66 in its proposed capital structure. Please provide a breakdown of the components of debt including the amount, issue date, interest rate, and name of the creditors for any loans procured.

The debt shown on Exhibit F is a projection based on similar rate studies for similar cases. No debt has been issued at this point, but it is anticipated that the debt/equity ratio will be as outlined on Exhibit F.

3. According to Exhibit G, the Utility has included O&M Expenses in the amount of \$41,800 for water and \$52,100 for wastewater. Please provide the utility's basis for estimating each O&M expenses for water and wastewater. Please include all work papers, calculations, and support documentation used by the Utility.

The O&M expenses have been revised and are based upon the assumptions accepted by staff in the Bluefield Utility submittal (090459-WS), adjusted for differences in the compactness of the subject utility and the differences in ERCs. Staff costs were estimated and shared across both the water and wastewater facility. Bad debt is an assumption based on a percent of gross revenue, consistent with assumptions accepted by staff in the Bluefield case. All other calculations are shown on the attached spreadsheet.

4. Pursuant to Rule 25-30.033(1)(n), Florida Administrative Code (F.A.C.), when a utility estimates future usage per household they must also provide a basis for such an estimate. Please provide the Utility's basis for estimating future usage at 96 gallons per day per person (gpd/person) for water and 86 gpd/person for wastewater.

The West Hendry County Overlay District (2014), which is a very recent comp plan amendment, established a flow rate of 96 GPD per person for water and 86 GPD per person for wastewater.

5. Please provide an explanation for the difference in estimated equivalent residential connections (ERCs) between water and wastewater services shown in Exhibit D.

All water used does not reach the wastewater stream. Outside cleaning, washing cars, and irrigation uses are some of these.

6. Please show the calculation used to develop the proposed water gallonage charge of \$2.49. Please include the calculation used to determine the gallons used in the calculation.

Attached to this response, we are providing the excel spreadsheets used to determine the gallonage charge.

7. Please show the calculation used to develop the proposed wastewater gallonage charge of \$3.10. Please include the calculation used to determine the gallons used in the calculation.

Attached to this response, we are providing the excel spreadsheets used to determine the gallonage charge.

8. Pursuant to Rule 25-30.033(1)(p), F.A.C., a utility is required to provide a schedule showing how the miscellaneous service charges were developed, consistent with Rule 25-30.460, F.A.C. Please provide estimated cost justification for miscellaneous service charges including administrative labor costs, field labor costs, and transportation costs associated with initial connections, normal reconnections and premise visits.

The assumptions for O&M expenses have been revised. Based on this revision miscellaneous service charges are not anticipated.

9. Pursuant to Rule 25-30.311, F.A.C., please provide proposed customer deposits with a schedule showing how they were developed, consistent with Rule 25-30.033(1)(p), F.A.C.

Customer deposits were projected based on similar rate cases and projecting a likely reasonable amount for each charge.

10. Please refer to Exhibit D – Water. The Total Demand section references a “Ten States Standards” for the peak factor used in the calculation. Please provide the source information for this standard, the basis for its selection for use in Consolidated's Rate Study, and a

statement of why Consolidated believes the peak factor selected is appropriate for the proposed development.

Peak Factors are established using a formula from the "Recommended Standards for Wastewater Facilities" also known as the Ten States Standards. FDEP refers to this as a guide for design for peak factors in both water and wastewater. Usually fire flow controls in water, but the fire flow will not be provided by the water system here. The peak factor formula is $(18 + \sqrt{P})/(4 + \sqrt{P})$ where P is the population in thousands or in this case 0.781).

11. Please refer to Exhibit D – Water. The Total Demand section lists a peak flow of 201, but does not specify the applicable units. Please provide the units.

Gallons per minute.

12. With regard to the land where the water and wastewater treatment facilities will be located, please provide the following information:
- The amount of land that will be required for each treatment facility (list water and wastewater separately); and

Water: .25 acres

Wastewater: 2.25 (est. 2 acres for dual effluent disposal ponds)

- The original cost of the land, for each type of facility, when first devoted to public service.

The land has not yet been conveyed to public service. The original cost of the land and lease rate will be set at fair market value at the time the land gets conveyed.

Should you have additional question, or would like to set up a time to meet to further review the application, please do not hesitate to contact me.

Best regards.

DeLisi, Inc.



Daniel DeLisi

- cc. John Wharton, Dean Mead Law Firm
Mitchel Hutchcraft, Consolidated Services of Hendry & Collier, LLC

O&M Water Expenses

	Units	Total	Notes
Salaries and Wages – Employees (601)	\$30/Hr. @1,820 hrs.	\$ 27,300.00	Shared employee Water and Waste Water
Purchased Power (615)	\$77/ERC	\$ 23,100.00	
Fuel for Power Production (616)	\$250	\$ 250.00	
Contractual Services (630)		\$ 2,000.00	
Chemicals (618)	\$35/ERC	\$ 10,500.00	
Transportation Expense (650)	700	\$ 700.00	
Insurance Expense (655)	600	\$ 600.00	
Bad Debt Expense (670)	1% of gross revenue	\$ 870.00	
Total		\$ 65,320.00	

O&M Wastewater Expenses

	Units	Total	Notes
Salaries and Wages	\$30/Hr. @1,820 hrs.	\$ 27,300.00	Shared employee Water and Waste Water
Chemicals	\$17/ERC	\$ 5,100.00	
Electricity	\$60/ERC	\$ 18,000.00	
Maintenance	\$12/ERC	\$ 3,600.00	
Insurance	300	\$ 300.00	
Contractual Services	\$1,000	\$ 1,000.00	
Total		\$ 55,300.00	

Schedule 2

Water Rate Base

Utility Plant in Service	\$ 1,905,368	80%
Accumulated Depreciation	\$ (327,155)	80%
Contributions in Aid of Construction (CIAC)	\$ (1,420,800)	80%
Accumulated Amortization of CIAC	\$ 142,689	80%
Working Capital Allowance	\$ 8,165	1/8 O&M
Water Rate Base	<u>\$ 308,267</u>	

Revenue Requirement

Operating Revenue	\$ 110,839
O&M Expense	\$ 65,320
Depreciation Expense	\$ 68,403
Amortization of CIAC Expense	\$ (51,007)
Taxes other than income	\$ 4,726
Total Operating Expense	\$ 87,442
Net Operating Income	\$ 23,397
Water Rate Base	\$ 308,267
Rate of Return	7.59%

Monthly Service Rates

Base Facility Charge		
5/8" x 3/4"	\$ 15.39	\$ 44,335.79
Charge per 1,000 gallons	\$ 3.17	\$ 66,503.69
		Assumption of 90 gpd per person and 2.7 people per unit

Typical Residential Bills

3,000 Gallons	\$ 24.90
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Schedule 3

Wastewater Rate Base

Utility Plant in Service	1,907,937	80%
Accumulated Depreciation	(259,799)	80%
Contributions in Aid of Construction (CIAC)	(1,313,254)	80%
Accumulated Amortization of CIAC	68,025	80%
Working Capital Allowance	6,913	1/8 O&M
Wastewater Rate Base	409,822	

Revenue Requirement

Operating Revenue	111,588
O&M Expense	55,300
Depreciation Expense	61,054
Amortization of CIAC Expense	-42,024
Taxes other than income (prop tax + 4.5% of Revenue)	6,153
Total Operating Expense	80,482
Net Operating Income	31,105

Wastewater Rate Base	409,822
Rate of Return	7.59%

Monthly Service Rates

Base Facility Charge	\$ 15.50	\$ 44,635.13
Charge per 1,000 gallons	\$ 3.19	\$ 66,952.70

Typical Residential Bills

3,000 Gallons	\$ 25.07
5,000 Gallons	\$ 31.44

O&M Water Expenses

	Units	Total	Notes
Salaries and Wages – Employees (601)	\$30/Hr. @1,820 hrs.	\$ 27,300.00	Shared employee Water and Waste Water
Purchased Power (615)	\$77/ERC	\$ 23,100.00	
Fuel for Power Production (616)	\$250	\$ 250.00	
Contractual Services (630)		\$ 2,000.00	
Chemicals (618)	\$35/ERC	\$ 10,500.00	
Transportation Expense (650)	700	\$ 700.00	
Insurance Expense (655)	600	\$ 600.00	
Bad Debt Expense (670)	1% of gross revenue	\$ 870.00	
Total		\$ 65,320.00	

O&M Wastewater Expenses

	Units	Total	Notes
Salaries and Wages	\$30/Hr. @1,820 hrs.	\$ 27,300.00	Shared employee Water and Waste Water
Chemicals	\$17/ERC	\$ 5,100.00	
Electricity	\$60/ERC	\$ 18,000.00	
Maintenance	\$12/ERC	\$ 3,600.00	
Insurance	300	\$ 300.00	
Contractual Services	\$1,000	\$ 1,000.00	
Total		\$ 55,300.00	