

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 150257-WS

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN MARION COUNTY, BY
EAST MARION UTILITIES, LLC.

_____ /

PROCEEDINGS: CUSTOMER MEETING

COMMISSION STAFF
PARTICIPATING:

MATTHEW VOGEL
KELLY THOMPSON
JANEIL JACKSON

DATE: Tuesday, October 4, 2016

TIME: Commenced at 6:02 p.m.
Concluded at 6:36 p.m.

PLACE: Forest Public Library
905 S Highway 314A
Ocklawaha, Florida 34970

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

P R O C E E D I N G S

1
2 **MR. VOGEL:** All right. It is 6:02, so I'm
3 going to start. Welcome. This is the presentation, the
4 customer meeting for East Marion Utilities. This is the
5 Docket No. 150257.

6 Let me start here. Just so everyone is
7 acquainted with everyone in the room, my name is Matthew
8 Vogel. I'm a public utility analyst for the Division of
9 Accounting and Finance. With me is Kelly and Janeil.
10 They are with Consumer Affairs and Outreach.

11 All right. I'm going to start just by
12 speaking about the process that we're going to do
13 tonight, what we're going to cover. We're going to go
14 over the rate case process. We're going to go over some
15 customer comments, if you'd like to comment on anything.
16 I'm going to talk about some preliminary rates so that
17 you guys get an idea of the information that we
18 currently have. These are all preliminary numbers, but
19 from the information we have, what we're looking at.

20 I don't like this setup. I'm going to stand,
21 if that's okay.

22 **MS. THOMPSON:** Uh-huh.

23 **MR. VOGEL:** All right. She says it's okay,
24 so.

25 All right. So we're going to go over the

1 process of preliminary rates and what you can do,
2 including comments, filling out the forms you have, and
3 all those things.

4 A little history. From what we know, the
5 utility was first organized in 1986. In 1987, they were
6 approved water and wastewater certificates with the
7 Commission. The utility filed for a SARC in 2002. That
8 was with a previous owner. And they're currently filing
9 for one with the new owner that took over in January.
10 Technically he owned the land January 1st is when the
11 records have for it, 2015.

12 **SPEAKER:** So he took over, excuse me, he took
13 over January 1st, 2015?

14 **MR. VOGEL:** Yes. Yes. That's when he
15 purchased the utility.

16 **SPEAKER:** Okay. Right.

17 **MR. VOGEL:** They probably started serving it
18 slightly before that, just to try to get a handle on it,
19 but that's the date that the purchase actually took
20 place was 2015.

21 Any questions so far? This is a very small
22 crowd. It's nice because it's not very formal.

23 So we're going to go over a staff-assisted
24 rate case. We call it a SARC. And pretty much it's
25 when a utility needs a rate increase or some type of

1 rate case to help lower costs. Staff, the Commission
2 staff will actually go and help them do an audit. We'll
3 do a staff report with preliminary rates. We have our
4 accountants and financiers, which technically I'm that.
5 We'll go through all the rates, we'll take all the
6 expenses into account. Our economics department will
7 break the expenses out.

8 Normally if a company files for a rate case,
9 they have to do all those expenses themselves. They
10 file minimum filing requirements with all of their
11 expenses, engineering reports, accounting, and they have
12 to pay for all that. So this is one little flat fee,
13 and they get all our services, including the customer
14 meeting. So that's what we're going to go over tonight,
15 just some of the processes of that.

16 Okay. So for this case, it was filed
17 December 3rd, 2015, so at the end of 2015. And that
18 included a 2015, what we call a test year, which is a
19 12-month period that we'll look at all their records.
20 So we looked at all their records for 2015, and then
21 moving forward some of their expenses might increase.
22 You know, regular things. Nothing, nothing crazy
23 usually happens. But it gives us a good idea of what
24 their expenses are for a year.

25 Okay. So we had a staff auditor conduct an

1 audit of their records, and then our staff engineer will
2 be coming out and taking a look at everything. They'll
3 also contact DEP for customer complaints, just any
4 records of anything that's going on with the utility.
5 We've yet to do that piece. So that's in the staff
6 report that I know some of you have seen. That's all
7 preliminary. So we really don't know the big -- the
8 fine-tuned points of that. And then the staff report is
9 prepared. I had a part in preparing the staff report.
10 It's all preliminary, and it's just to kind of give you
11 an idea of what's happening.

12 Okay. So we're holding a customer meeting
13 now, and I'm going to get as much input from you as
14 possible. I'm going to have you stand up here. I'll
15 record your comments; Kelly is recording the video. And
16 we're going to hand these staff Special Reports out.
17 Please take them. I'm going to go over the back page in
18 a second, but take them to the other customers. I know
19 it's raining outside. (Inaudible).

20 But after the customer meeting, we're going to
21 prepare a final recommendation. So we'll take into
22 account your comments, we'll take into account some of
23 the data requests that we hand out. So we have some
24 questions still. We get their expenses, but will this
25 continue, will this continue, what's happening with this

1 account, and then our staff engineer has their
2 preliminary report as well. So we take all of those
3 things and come up with, like, a final recommendation.
4 This is all preliminary.

5 So we're going to do that and we're going to
6 file that at the Commission Conference. That's about
7 two weeks after the final recommendation is done. You
8 can speak at that, if you'd like. Just let us know.

9 (Inaudible.)

10 After all that, the Commissioners will vote.
11 Usually they vote that day. Sometimes it gets deferred
12 if there's questions still unanswered. The Office of
13 Public Counsel will intervene -- they've intervened in
14 the case. They represent the customers. And they'll
15 make sure everything is on solid ground before anything
16 moves forward.

17 Okay. So the recommendation and agenda. I
18 just covered this. I was running a slide behind. The
19 utilities and customers may speak. So, again, if you
20 want to go, just let us know you'll be there beforehand,
21 and we'll make sure that you have some allotted time.
22 Because we want more -- the Commissioners love hearing
23 customer comments. It's like the best form of evidence.
24 Somebody saying, "My water is okay," maybe "The service
25 isn't great," maybe, "The water is not good." Things

1 like that really help the Commissioners.

2 Okay. So after the agenda there's going to be
3 a PAA order, which is a PAA process. (Inaudible).
4 That's this 8-month period where we try to get things
5 done without having a full hearing. So they'll vote.
6 If everything is voted on, 20 days after there's a
7 protest period, and then there's 21 days for a protest.
8 If the consumers or the utility or someone doesn't like
9 the rates, they want to protest, then we go to a
10 hearing, and that's a full-blown case. We'll come up
11 with another staff recommendation. I have it here.
12 Yes, a hearing will be held. It'll be in the service
13 territory. There will be at least three Commissioners
14 who will hear the case. The utility, customers can
15 speak.

16 And then after that, after the hearing, we'll
17 have our final recommendation. So we'll take every
18 piece of information we've got to come up with another
19 recommendation. And at that point, they'll vote. And
20 no one else can speak, only staff and the Commissioners.

21 Okay. So we're going to get to the details of
22 East Marion. So, welcome. I'm Matthew.

23 **SPEAKER:** Hi.

24 **MR. VOGEL:** So we're going to get into some of
25 the details of the preliminary staff analysis.

1 Okay. So these two columns represent the
2 utility's operating income and the preliminary operating
3 income. So there's a few numbers I'm going to take note
4 of.

5 The revenues, these are all audited numbers.
6 These are all audited numbers. This is what the utility
7 said that they had for expenses, about 34,000 and
8 48,000. Their revenues, 23.8 and 34.1. And these two
9 come up to \$25,000 in loss.

10 Now once we audit everything, we take
11 everything into account, we give them appropriate rates
12 or what we feel preliminarily is appropriate rates.
13 This will become their income and expenses.

14 So a lot of times they'll have expenses -- for
15 example, in this case, there's an item where they had a
16 major repair, and the repair they put into expenses for
17 one year. So one of these numbers was -- a large
18 portion of it was put in the one account. Normally when
19 there's a large repair, you split that over time because
20 you're not going to have that repair every year.
21 Because we only look at one year. That's the test year
22 I was speaking of earlier. We look at one year. So
23 when we see one large expense, we say, "Well, is that
24 going to happen every year?" Probably not. So we'll
25 break it up into multiple years, and that's what the

1 staff audit did.

2 Now as that account turned out, we thought it
3 should be capitalized. So instead of putting it into
4 expenses, we put it into his rate base. So there was a
5 major repair that extended the life of that asset. So
6 instead of just expensing it and having to pay cash
7 every year, we gave it to him in his rate base, which he
8 can earn a return on but he doesn't get the expense.
9 That's the difference.

10 So there's multiple -- and that's why this is
11 all preliminarily because we have to take a lot of
12 information into account with data requests and things.
13 So that's why some of these numbers can look crazy.
14 That's why this goes from 48 to 39 and 34 to 28. You
15 know, those are still expenses but maybe they're not
16 every year expenses. That's what I mean by that.

17 But one thing I do want to take -- or draw
18 your attention to is this revenues. This was his test
19 year revenues -- or the utility's. This was the
20 utility's test year revenues, and these were the actual
21 staff audited expenses. So even these two numbers come
22 out to about a \$5,000 loss, and these two numbers come
23 out to about a \$5,000 loss. So if you -- if there is no
24 rate increase, they will probably still be losing money.
25 So there likely is a need for a rate increase. That's

1 what I want to just draw your attention to. It might
2 not be what staff says currently, but those numbers will
3 change. I spent a lot of time on that slide, but I just
4 wanted to make sure everybody understood. Kelly is
5 laughing at me in the back.

6 Okay. So these are the preliminary water
7 rates. Currently -- and these are current. I don't
8 believe they include the interim increases because those
9 interim rates -- it doesn't.

10 **MS. THOMPSON:** It doesn't.

11 **MR. VOGEL:** So these are current. If you
12 didn't have the interim because he requested it -- so I
13 believe on the water system, not the wastewater system.

14 As you can see, the rates for the base
15 facility charge, which is if you use zero water, you pay
16 a base facility charge. Just for having a meter you pay
17 that. That actually decreases. But what we've done is,
18 and this is something that the Commission is really
19 trying to focus on is conservation. So instead of you
20 getting 10,000 gallons at \$2.11 per 1,000 gallons, we've
21 broken it up because the average household in this
22 community uses approximately 4,000 gallons of water. So
23 we've broken it up to where the average household is
24 going to pay \$3.46 per 1,000 gallons. And then to try
25 and drive more conservation, every 1,000 gallons used

1 above 4,000 will be an additional \$4.34 instead of
2 simply paying the same price. So we use these inclining
3 block rates to try to drive conservation.

4 So if you're using 10,000 gallons currently,
5 you're not paying much for that extra 10,000; whereas,
6 in the future you will. And that's so the people that
7 really use the most water have to pay more in the bill
8 than the people who don't. Any questions on that?

9 **SPEAKER:** Can we make comments now or did you
10 want to wait?

11 **MS. THOMPSON:** Prefer to wait till the end.

12 **MR. VOGEL:** I'm sorry. I'm sorry. I just got
13 out of workshops where I would say, "Anybody have any
14 questions? Okay. Moving on." This is supposed to be
15 like a formal presentation, so I apologize.

16 So that's the water rate. The wastewater
17 rates are similar except the base facility charge goes
18 up in this case. And these are all preliminary. Not
19 only are they preliminary numbers, but these are
20 preliminary rate setting. So that inclining block that
21 we used here, maybe when we get the final numbers, we
22 really don't see a lot of users or consumers using a lot
23 more water, so we might not use this. But if we had
24 these rates, this is what we would try and set so that
25 the normal household doesn't have a large increase in

1 their bills. It's really the heavy users will have a
2 large increase in their bill, and that's important.

3 Okay. Same thing here on the wastewater
4 except for wastewater you don't use inclining block
5 rates, because if you're using the water, you'll have
6 that wastewater. So there's not a need to go through
7 the wastewater. But they do increase about \$3 for the
8 base facility charge and then \$1 for the 1,000 gallons.
9 And you'll notice that the cap is 10,000 currently and
10 it will become 8,000.

11 All right. Moving on. Going to the
12 residential monthly bill comparisons, and this is
13 something that is interesting. So at 4,000 gallons the
14 average family currently pays \$18.49. With the
15 preliminary rate increase they'll pay \$23.66 for water.
16 For wastewater they currently pay, on average, \$34.13,
17 and it'll move to \$41.53. So in total currently you're
18 paying about \$52, \$53, and you will pay about \$64. So
19 it's about a \$5 increase and a \$7 increase. So \$12 on
20 average, about 12 extra dollars a month.

21 And it's also important to note that the last
22 rate case, when I did the history, the last rate case
23 was in 2002. This is 2016. Just to let you know how
24 long a period of time that really is, the Commission
25 will do a limited proceeding after seven years. So if

1 you have a rate case, you have to have a limited
2 proceeding within seven years. That way we know your
3 records are fresh. The fact that it's been 14 years
4 means it's been two of those cycles. So a lot of the
5 rates we've been using are really stale, they're really
6 old. A lot of those expenses -- you know, expenses go
7 up from 2002 to 2016. Expenses have gone up quite a bit
8 just with CPI. The Consumer Price Index, it's gone up.
9 So that's another factor in this case. It's been so
10 long, usually the rate increases are more significant.

11 Okay. So we're going to go to the PAA
12 recommendation and agenda. So our recommendation is
13 going to be filed on November 22nd, and this is
14 preliminary. If everything goes to plan, we get data
15 requests, engineers get all the information, everything
16 goes to plan, it will be November 22nd. Sometimes this
17 is delayed: If the engineers maybe don't get the pro
18 forma information on time or if it doesn't get put into
19 place, maybe we'll have to do Phase II rates, something
20 along those lines. Phase II means they have plant that
21 they're going to put in, but they couldn't get it in
22 before our recommendation, so it'll be put in at a later
23 date. We won't charge you for that until it's put into
24 service, and then we'll come back and say, "Okay. Now
25 you can charge this amount." That's the difference.

1 Preliminarily November 22nd.

2 It'll be heard at the Commission Conference
3 with Commissioners where you can speak, if you'd like,
4 on December 6th. So early December is what we're
5 counting on. We have these monthly. It's hard to tell,
6 you have to look at -- it's hard to tell. It's not at
7 the beginning of the month every month. Sometimes it's
8 the middle, sometimes --

9 (Audio interrupted.)

10 (Audio resumed as follows:)

11 **MS. KLOTZ:** Hi. My name is Becky Klotz, and I
12 am speaking on behalf of my daughter, Diana Whiteman.
13 And that is spelled D-i-a-n-a W-h-i-t-e-m-a-n,
14 770 Northeast 130th Terrace, and that is Silver Springs.

15 My daughter lives directly in front of the
16 water plant, and she has had numerous complaints of the
17 water having a terrible odor. She cannot keep her
18 dishwasher open because the odor is very offensive. Her
19 clothing, after washing it and running it through the
20 rinse cycle, smells of sulfur. She has reported this on
21 many, many occasions. Sometimes it was taken care of
22 and sometimes it was not. Dishes, you know, even
23 showers. And this is going to become a big problem for
24 my daughter if this is not addressed because she is
25 having a skin issue right now and is in the hospital.

1 Not brought on by this water, I'm not saying that, but
2 in the future, for her proper care, this could become a
3 potential danger for her.

4 Thank you.

5 **MR. VOGEL:** Thank you.

6 (Inaudible.)

7 **MS. KLOTZ:** I have another question.

8 **MR. VOGEL:** Oh, no, that's fine.

9 **MS. KLOTZ:** This is Becky Klotz asking the
10 question, and my last name is spelled K-l-o-t-z. And
11 I'm president of the HOA association. And back in 2013
12 or 2014, I'm not quite sure of the year, the HOA
13 quitclaim deeded both the water area and the waste area.
14 According to our documents, we should be collecting a
15 fee as to that property being leased. The HOA is not
16 receiving any monies at this time. Can we find out
17 where the monies may be going? Thank you.

18 **MR. VOGEL:** Thank you.

19 Ms. Nancy Wilson. How are you?

20 **MS. WILSON:** Good. I'm Nancy Wilson,
21 W-i-l-s-o-n. I live at 1081 130th Terrace. I'd also
22 like to say about the water quality. Since they're
23 going to increase the rates, we should get better water
24 quality.

25 We installed personally a carbon filter and a

1 water softener because the water was so terrible, and I
2 still get brown rings in the toilet for cleaning, which
3 I would think with all the extra filters we have on we
4 wouldn't. But the water doesn't taste good. That's why
5 we got filters. It still doesn't taste good.

6 My other problem is, is that you're seeing the
7 average customer charge for water -- last month our bill
8 was 135. The month before it was 147. I was away for a
9 month when it was 135, so it went down \$10 because I was
10 away for a month. So with just one person in the house,
11 they're saying we're using 30,000 gallons of water.
12 It's not possible for two people to use that. We do run
13 our sprinklers, but we got water saver sprinklers. We
14 don't run them that much.

15 They said they would put in a new meter
16 because perhaps our meter isn't working right, which
17 they have never done. We've been complaining for the
18 four years that we've been here, and they've never
19 addressed it. They said if we want to get a separate
20 meter for wastewater, it would be \$1,800.

21 **MR. VOGEL:** For irrigation.

22 **MS. WILSON:** Yeah. If we wanted to have
23 something different, which seems pretty high. But they
24 should at least replace the meter we have and see if
25 that's the problem. They said they would do it, but

1 they haven't done it. They said if it was wrong, that
2 they would refund us past money. But they are not doing
3 anything about it. They haven't come and replaced the
4 filter -- I mean, the meter. And there's no leak.
5 That's been checked. It's not leaking. So I don't know
6 if anything can be done about that. Thank you.

7 **MR. VOGEL:** Thank you.

8 **MR. PRICE:** My name is Joe Price. That's
9 P-r-i-c-e. I live at 13020 Northeast 5th Place, Silver
10 Springs, Florida 34488. I have several comments,
11 questions.

12 First off, on your testing, the test period
13 was just this previous year. The gentleman just
14 purchased the water at the end of last year; correct?
15 He bought it in 2015 and your test period is 2016.

16 **MR. VOGEL:** The test period is 2015. He
17 bought it at the beginning of 2015.

18 **MR. PRICE:** Okay.

19 **MR. VOGEL:** And our test period is pretty much
20 that time period, his first year.

21 **MR. PRICE:** Okay. This being an older utility
22 that was never really maintained, it was always
23 Band-Aided together, okay, I would expect to see his
24 cost pretty high for the first year, maybe two years, to
25 bring it up to what the standards should have been in

1 the very beginning. So I don't see his costs being that
2 much down the road, but initially, yes, he's going to
3 have a lot of cost because there was a lot of issues,
4 the water plant and the wastewater plant. That's why he
5 had to buy that pump whenever he first took over was
6 because it wasn't maintained properly by the previous
7 owner. Okay?

8 I'm also the meter reader out there and I'm
9 the vice president. I get a lot of the residents out
10 there -- whenever they've tried to contact East Marion,
11 they come to me because they're getting no response. I
12 give them a different means of communicating problems
13 with them and usually I don't hear back from them.
14 Sometimes when there's a meter problem, they will ask me
15 to go look at the meter because all I do is read meters.
16 I don't do bucket tests. I don't do any of that. But I
17 do look at the meter. And if you're home, I can tell if
18 you're using water or not. I know how to look at the
19 meter that way. I've got a lot of meter reading
20 experience, probably about 40 years, so I know how to
21 look at meters to tell if they're working or not.

22 The water pressure out there fluctuates a lot.
23 Sometimes you almost have to run around in your shower
24 to get wet. And where I live, there's only -- I don't
25 think there's actually what they call a dead end in the

1 water supply. I think it's a big loop. But on the road
2 I live on, there's only three houses, so, yeah, we do
3 have the water smell and the water taste, and I would
4 expect it's because the lines aren't flushed like they
5 should be flushed.

6 I know in your proposal you're looking at
7 getting a smaller tank, and I know that they looked at
8 the projected building out there. And I don't know if
9 that's the correct way to go or not because I'd hate for
10 ten years down the road from now if a building boom did
11 happen to come by, then you've got to go with a bigger
12 tank. I think a lot of the issues with the water is
13 that the tank, the facility was not maintained properly
14 since -- when was it built? 1986, '87? Yeah. I really
15 don't.

16 At one time I was asked to do the water
17 testing out there, and I point blank told them no. For
18 one, I'm color blind. I can't read the chart, so what
19 good would that do? But that's what I'm getting at is I
20 don't think it has been maintained and operated
21 properly. I'm not saying Mr. Smallridge's group is not
22 doing it right now, but, you know, it's a learning curve
23 for them because they have to come in and do all these
24 changes and fixes that have never been done.

25 On this, why couldn't they put in some type of

1 de-gasification as opposed to replacing the tank?
2 Almost everybody in the neighborhood will tell you it'll
3 go from smelling like raw eggs, then it goes to the
4 chlorine. And, you know, they treat it with chlorine to
5 get the raw egg smell out. To me, they should be able
6 to put -- I get -- I bet out of the 92 homes, there's at
7 least ten homes out there that have these water
8 purifiers on their homes. Why couldn't they just put
9 something like that on -- at the water plant to treat
10 everybody's water that way instead of, you know, going
11 with a bigger tank or this? And I know they're
12 expensive. Just ask a homeowner that's put one in, you
13 know. But they've had to bear that cost by themselves.
14 You know, they got nothing from the water company for
15 that.

16 The irrigation meters I think are kind of high
17 to be installed. I understand that now they're just new
18 procedures that they have to go through to tie the
19 irrigation systems in and they have to come off the main
20 line. I don't know why, when I can tap into the line
21 from the meter to my house and put my own irrigation
22 system in and it don't seem to have issues with water
23 pressure. I just use that as a scenario because you
24 could tap it in that way. You know, as a homeowner,
25 it's your line because you're responsible for it. Yeah,

1 you could put in an irrigation system. You're still
2 going to pay for the water, you know, but having to come
3 from the main line at 15-, \$1,800 I think is a high cost
4 for these people and especially the high users. You
5 know, they're not going to see a return on that
6 investment for a long time. You could water a lot of
7 grass for that.

8 I may only have one more. No, that's pretty
9 much all I have. Okay.

10 **MR. VOGEL:** Thank you. All right. I'll shut
11 this off.

12 (Customer meeting concluded.)

13
14
15
16
17
18
19
20
21
22
23
24
25

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

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Hearings Reporter, Hearing Reporter Services Section,
6 Office of Commission Clerk, do hereby certify that the
7 foregoing proceedings were transcribed from digital
8 recording to the best of my ability.

9 I FURTHER CERTIFY that I am not a relative,
10 employee, attorney, or counsel of any of the parties,
11 nor am I a relative or employee of any of the parties'
12 attorneys or counsel connected with the action, nor am I
13 financially interested in the action.

14 DATED this 25th day of October, 2015.

15 LINDA BOLES
16 LINDA BOLES, CRR, RPR
17 Official FPSC Hearings Reporter
18 (850) 413-6734
19
20
21
22
23
24
25