

1                                   BEFORE THE  
2                                   FLORIDA PUBLIC SERVICE COMMISSION

3         In the Matter of:

4   DOCKET NO. 160145-WU

5         APPLICATION FOR LIMITED  
6         REVENUE PROCEEDING IN ST.  
7         JOHNS COUNTY, BY CAMACHEE  
8         ISLAND COMPANY, INC D/B/A  
9         CAMACHEE COVE YACHT HARBOR  
10         UTILITY.  
11         \_\_\_\_\_ /

12         PROCEEDINGS:                                     CUSTOMER MEETING

13         COMMISSION STAFF  
14         PARTICIPATING:                                   PATTI DANIEL  
15   CHARLES JOHNSON  
16   KELLY THOMPSON

17         DATE:   Monday, October 17, 2016

18         TIME:   Commenced at 6:00 p.m.  
19   Concluded at 6:54 p.m.

20         PLACE:    252 Yacht Club Drive  
21   St. Augustine, Florida 32084

22         BY:    LINDA BOLES, CRR, RPR  
23   Official FPSC Reporter  
24   (850) 413-6734  
25

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

1  
2           **MR. JOHNSON:** Let me make sure I'm recording  
3 this now. Tonight's presentation is going to cover the  
4 utility's application, their proposed rates, what a  
5 limited proceeding really is and how that process works  
6 and how you, the customers, can be involved in that  
7 process.

8           Camachee Cove Utility applied for a limited  
9 proceeding rate increase on April 4th, 2016. Their last  
10 approved rate increase by the Florida Public Service  
11 Commission was in a staff-assisted rate case on  
12 March 3rd, 2010. And what happened was soon after that  
13 rate increase by the Florida Public Service Commission  
14 the utility discovered that there was a significant  
15 amount of water conservation by the customers, which due  
16 to this the utility was unable to recover the revenue  
17 that was meant to be recovered by the rates that were  
18 given to them. The utility's application for this  
19 limited proceeding rate increase is just -- is a revenue  
20 true-up request from the utility.

21           You'll notice that in this, what we call the  
22 Special Report that was handed to you when you first  
23 walked in, on the second page that has the Commissioners  
24 at the top, you'll notice under that the current rates  
25 of the utility in the first column and then the

1 utility's requested rates in the second column. And  
2 what I really want you to pay attention to -- it kind of  
3 makes it more simple for me, so we did this calculation  
4 for y'all. At the very bottom you'll see a typical  
5 residential bill at 3,000, 6,000, and 12,000 gallons  
6 with the present rates and the requested rates.

7 Moving on to a limited proceeding process.  
8 What a limited proceeding -- it's just a really informal  
9 process where the utility can come in and request a rate  
10 increase. It's much cheaper than going to a formal  
11 hearing or a staff-assisted rate case, which ultimately  
12 benefits the customers of the utility. Although it's  
13 very -- it's still an informal process, it still can be  
14 protested by customers at agenda or when the PAA order  
15 comes out.

16 What the Commission does during a limited  
17 proceeding is first off we receive the application from  
18 the utility. We start reviewing the data that was given  
19 to us. Then we hold a customer meeting. After the  
20 customer meeting, we take the comments from the  
21 customers, the data that was given to us in the  
22 application, and we write what we call a staff  
23 recommendation. And we take this recommendation to an  
24 Agenda Conference before the Commissioners where the  
25 Commissioners will ultimately make a decision on that

1 recommendation. The application has already been  
2 received. Staff is in the process of reviewing the data  
3 and the numbers that go along with that, and, you know,  
4 tonight we're holding that customer meeting and we'll go  
5 forward in that process.

6 The purpose of tonight's customer meeting is  
7 to receive comments from the customers regarding quality  
8 of service provided by the utility, the utility's  
9 interaction with the customers, the proposed rate  
10 increase, and to answer any customer questions that  
11 y'all might have after this presentation.

12 Remember that tonight is the customers' night  
13 and not the utility's, but the utility and the Office of  
14 Public Counsel may attend this meeting.

15 In the -- after the customer meeting, like I  
16 said, we take everyone's comments and we finish  
17 reviewing the application. We're going to write-up a  
18 recommendation to take to conference or to the  
19 Commission. When we take that before the Commission at  
20 a Commission Conference, they're ultimately going to  
21 make a vote on the recommendation, and they can either  
22 approve it, deny it, or change the recommendation.  
23 Customers and the utility representatives may speak at  
24 agenda. Please just allow staff -- please inform staff  
25 if you're coming and if you would like to speak at

1 agenda. That way we can inform the Commissioners.

2 I have a tentative schedule, if you want to  
3 write these dates down. They're not formally set.  
4 Staff's recommendation is tentatively scheduled to be  
5 filed on December 21st, 2016, and the Commission  
6 Conference that we're tentatively scheduled to attend is  
7 for January 25th, 2017. Is that in the Special Report,  
8 Kelly? Is that in the Special Report?

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

10 **MR. JOHNSON:** And that's in the Special  
11 Report, if you can find it.

12 At the Commission Conference, like I said, the  
13 Commissioners will make a vote on the recommendation.  
14 After the Commission votes, a Commission PAA order will  
15 be issued usually within 20 days after the Commission  
16 Conference. When that PAA order with the decision is  
17 filed, there will be a 21-day protest period where any  
18 affected party may protest the PAA order. If there  
19 is -- and if the PAA order is protested, then it'll go  
20 to what we call a hearing.

21 If it does go to a hearing, this is a very  
22 formal proceeding in which the utility and customers  
23 are -- who objected to the PAA order must file testimony  
24 and will be subject to cross-examination.

25 So you ask me, "Charlie, you know, what can I

1 do to be involved in this process, the limited  
2 proceeding process?" Well, first off tonight, if you  
3 will, you can provide comments here, oral comments. If  
4 you don't feel comfortable providing oral comments or if  
5 you don't feel like you can get enough across doing so,  
6 you can also provide written comments. There's a page  
7 at the -- in the back of the Special Report where you  
8 can fill it out and mail it in.

9           When we do file the recommendation, you can  
10 obtain a copy of the staff's recommendation. It is  
11 public. And then when it comes to agenda, if you don't  
12 want to attend in person, you can still monitor it live  
13 via the internet.

14           I had a picture of the website -- the  
15 Commission website up for everyone. The website is  
16 FloridaPSC -- that's for Public Service Commission --  
17 .com, which I believe is also in the Special Report.  
18 Yeah. So, man, everything is in the Special Report. I  
19 don't even know why I'm doing this. Right?

20           The Office of Public Counsel is the advocate  
21 for consumers before the Florida Public Service  
22 Commission. Their number is not in the Special Report.  
23 So if you want it, it's 1-800-342-0222. And their  
24 website is FloridaOPC.gov.

25           The Florida Public Service Commission Consumer

1 Affairs Hotline -- is that in the Special Report as  
2 well? It's also in the Special Report. And if you ever  
3 have any complaints against the utility, you can always  
4 call that hotline and then that's how those complaints  
5 will be resolved.

6 Please remember tonight's meeting is being  
7 recorded. Come forward to this table, state your name,  
8 address, and please spell your last name for the  
9 recorder. And note that you will be called up in the  
10 order that you signed up.

11 Let's see how many names I can butcher. Is  
12 this Eli or Eli?

13 **MR. SUBIN:** Eli.

14 **MR. JOHNSON:** Eli Subin.

15 **MR. SUBIN:** Good evening. For those of you  
16 who are not acquainted with me, I'm Eli Subin. My wife  
17 and I reside at 3404 Lands End Drive here on Camachee  
18 Island, and obviously we're customers of the utility and  
19 have been for many years.

20 I appear this evening in my own interest, or  
21 our own interest, as well as the interest of the members  
22 of the Lands End Owners Association, 16 landowners who  
23 live here on Camachee Island. The president of the  
24 association, Mr. Bill Coleman, is here this evening with  
25 his wife. I think I said I was the director of that

1 association. And I believe Wesley Scovanner, whose wife  
2 is here this evening, who is an officer and director of  
3 the association, will be coming. He's been delayed at a  
4 church meeting.

5 I would like to start by pointing out that the  
6 notice for the meeting and the introduction already  
7 given point out that the purpose -- one purpose of the  
8 meeting is to afford the opportunity for questions  
9 regarding the proposed rates. I don't find that the  
10 customer base has been given sufficient information to  
11 make an informed decision regarding the amount of rate  
12 increase and projected profit quotient that have been  
13 suggested. And I say that because in the application --  
14 apparent application under cover of a letter dated  
15 June the 3rd, 2016, written by Peter Sabo, there are  
16 attached a number of documents, none of which provide  
17 sufficient information from which a critique could be  
18 made regarding the cost basis for the rate increase.  
19 The attachments concern past rates and pro forma future  
20 rate. The attachments involve past revenues and pro  
21 forma future revenues.

22 So for the customers to be critical in a  
23 sensible fashion of the application for the rate  
24 increase, it is a difficult thing. However, having said  
25 that, it's inescapable that a rate increase that would



1 mean a 66.3 percent increase per customer over their  
2 existing rates seems very large, especially in  
3 consideration of the fact that there have been rate  
4 increases since 2010. I have before me a notice to  
5 customers dated June 23rd, 2015, signed by Mr. Sabo  
6 telling us there was going to be a rate increase and  
7 there was.

8           There is a notice to customers dated March the  
9 30th, 2016, signed by Mr. Sabo saying there's going to  
10 be a rate increase. I have a notice to customers dated  
11 March 13th, 2014, signed by Sean McKenna, president --  
12 then president of the utility saying there was going to  
13 be a rate increase. So apparently there have been two  
14 or three rate increases since the 2010 tariff was  
15 approved, which brings me to the question of what  
16 information does the Commission have at this time, if  
17 any, that would justify a 66.3 percent increase in rates  
18 to utility customers? And what information does the  
19 Commission or its staff, more properly, the staff have  
20 at this time that would justify a proposed profit of  
21 9.3 percent at a time when any of us here would be lucky  
22 to get a point and a half, a percent and a half in a  
23 savings return rate?

24           Now I see in the press throughout the state  
25 that Florida Power & Light is applying for an increase

1 that would be 24 percent or something like that. They  
2 have a much larger customer base and a much larger  
3 operation and I don't know what their particular facts  
4 are. But the facts here are nothing much has changed.  
5 As the applicant utility points out, the customer base  
6 has not changed. The usage isn't very great. There  
7 haven't been any changes in the quality of the plant or  
8 the service since the last tariff was approved. We've  
9 got a new utility plant here that works fine. The  
10 distribution system has been repaired repeatedly to good  
11 effect and the service is good now. But for -- to ask  
12 the customers to come here and make an intelligent  
13 comment about the 66.3 percent increase for the average  
14 gallonage up to 12,000 gallons is what we use is a  
15 difficult request to make. And I think it's unfair of  
16 the Commission staff and the Commission to summons us to  
17 a meeting without allowing us to have the opportunity to  
18 look into the financial records that would justify this  
19 kind of rate increase. I think that the whole matter is  
20 going to be litigated.

21 I have, on behalf of the LEO Association,  
22 that's the Lands End Owners Association, requested the  
23 Office of Public Counsel to take up this file, and  
24 Mr. Kelly has told me that they will. And so you can  
25 look forward to a contested hearing. Thank you.

1           **MS. DANIEL:** Let me see if I can add a little  
2 bit of information to what you've said, and I can  
3 appreciate, Mr. Subin, your frustration and concern  
4 about the process and the lack of information. So let  
5 me see if I can add a little bit to that.

6           The company has received rate increases over  
7 the last several years. We call those index increases.  
8 They're small cost of living increases that the  
9 legislature allows utilities to have. They're usually  
10 1 percent, some modest increase that follows the  
11 Consumer Price Index. So, yes, the company has had  
12 those index increases over the last several years.

13           The lack of information. We are not done  
14 gathering information. This is a part of the process  
15 and I think that may be the most important thing that I  
16 want to say to you. I'm sorry you feel frustrated about  
17 being here tonight, but this is sort of step one in the  
18 process. And we want you to have information. What we  
19 want you to do is to monitor the Commission's website,  
20 and you have the location of the website there in your  
21 staff report. You can see what the company files. You  
22 can see -- when staff asks the company questions, you  
23 can see those questions that we ask. When the company  
24 responds to those questions, you can see the responses  
25 that come through. If you have additional questions

1 that you feel like we're not pursuing, you have an  
2 opportunity to let us know that or let the Office of  
3 Public Counsel know. so we're at the beginning of the  
4 process is what I'm trying to tell you, and that there  
5 are still a number of steps that we're going to take to  
6 continue to gain information.

7 Another thing that I want to say to you to  
8 give this all a little perspective is normally a rate  
9 case before the Florida Public Service Commission is a  
10 request by a utility. They have either put in  
11 additional capital investment and they're seeking a  
12 return on that investment or operating expenses have  
13 gone up and they're seeking recovery of these higher  
14 operating expenses. That is not the request that  
15 Camachee has before the Commission.

16 What they have requested is that the revenues  
17 that were approved in the last full rate case where it  
18 was fully vetted, those revenues plus the small  
19 additional revenues that they've received over the last  
20 several years through the index increases, the little  
21 1 percent a year, those amount of revenues, the company,  
22 through the rates that they have today, excuse me, is  
23 not recovering that level of revenue that was approved  
24 in 2010 and subsequently increased with those indexes  
25 because there was significant water conservation

1 following that staff-assisted rate case, as Charlie  
2 pointed out.

3 When we set rates for a utility, we look at  
4 the total revenues that the Commissioners authorize the  
5 utility to recover. Those revenues include all of their  
6 operating expenses and a return on investment. So we've  
7 got a pot of money.

8 When we set rates, we look at a portion of  
9 that money and we say, "Okay. How many bills are they  
10 going to send out?" And this is where we come up with  
11 that base facility charge that you see in your staff  
12 report, that fixed amount that you're billed each month  
13 regardless of the amount of water demand. Then for the  
14 rest of that pot of money, for the rest of that revenue,  
15 we divide it by the number of gallons of water that you,  
16 the consumers, use during a given period of time.

17 Thank you. I always do this. Why I didn't  
18 bring water.

19 And so when those rates were set in that  
20 staff-assisted rate case, we used a much larger number  
21 of gallons to determine the gallonage charge than the  
22 company is selling today. So that denominator in the  
23 formula is less than it was.

24 The company has asked to recover the revenues  
25 that they were authorized to recover having -- the

1 Commission having looked at their operating expenses and  
2 return on investment, and we're trying to true that up  
3 for them. That's what this is all about. You will not  
4 see in this application a litany of questions about what  
5 are the reasonable operating expenses? What is the  
6 reasonable investment? What is the reasonable return on  
7 investment? That is not the nature of this proceeding.  
8 It's called a limited proceeding because the Commission  
9 is going to look very narrowly at the utility's request,  
10 what were those revenues, and are they recovering those  
11 revenues today. According to the utility's numbers,  
12 they are not. Okay? So I hope that was helpful  
13 background. If you have further questions, I can help  
14 you.

15 **SPEAKER:** What is the cost of the water  
16 conservation for the marina? You speak of that, but  
17 what exactly do they have to do?

18 **MS. DANIEL:** Ask me that question again. What  
19 is the cost of water conservation?

20 **SPEAKER:** You said water conservation was an  
21 issue that the marina -- that changed things. What  
22 exactly was their cost and why --

23 **MS. DANIEL:** It wasn't a cost issue. I'm  
24 sorry. I didn't explain that very well.

25 When the Commission set the rates in the last

1 staff-assisted rate case, we looked at a portion of the  
2 revenue that the -- whatever the number was -- I don't  
3 recall -- and we set a base facility charge and a  
4 gallonage charge. When we set the gallonage charge, it  
5 was based on the amount of water that consumers were  
6 using in 2009. Consumers are using a lot less water in  
7 2016 than they were in 2009.

8 **SPEAKER:** Okay.

9 **MS. DANIEL:** So when the company bills that  
10 gallonage charge, they're billing it on significantly  
11 fewer gallons, so they're not generating enough revenue  
12 from those old rates to bring their total pot of revenue  
13 up to the level that was designed in 2009.

14 **SPEAKER:** But it's water used, water charged.

15 **MS. DANIEL:** Yes, ma'am.

16 **SPEAKER:** Why would that change?

17 **MS. DANIEL:** The amount of water used?

18 **SPEAKER:** If they are charging us for the  
19 amount of water we use, why should they be charging --  
20 why should they expect to receive amounts that are  
21 beyond the amount of water used? Why has that  
22 denominator changed? That doesn't seem --

23 **MS. DANIEL:** The denominator changed -- the  
24 numerator, denominator. Let me get my right number.  
25 The denominator is the number of gallons sold, and the

1 gallons sold went down.

2           If I have a portion of my revenue requirement  
3 that's \$10,000 and I'm selling 10 million, because you  
4 lop off the three zeros, then that's a dollar a  
5 thousand. What if I only sell 5 million gallons? I'm  
6 not going to recover the \$10,000, am I? My gallonage  
7 charges stay the same. I'm not going to recover my  
8 \$10,000. I've got to up the gallonage charge to get me  
9 back up to that 10,000 level, \$10,000 level.

10           **SPEAKER:** That, to me -- if I go -- what I use  
11 I'm charged for. What somebody who provides that  
12 service should charge is what we are getting, not what  
13 they hope to get. That's what I hear you saying. They  
14 are asking for -- correct me if I'm wrong. Is that what  
15 I'm hearing?

16           **SPEAKER:** Yes. And it seems to us that you're  
17 talking about a company that's made an investment in a  
18 proposition that didn't pan out. It's like going into  
19 the stock market and buying stock. Well, it isn't the  
20 price that I bought it at ten years ago. They didn't  
21 make as much money as they had wanted. The question is  
22 what are their actual costs, not the profit that they  
23 wish they had made in the past five or ten years.

24           **MS. DANIEL:** And we are still gathering  
25 information. I don't know what the Commission is going



1 to do with this. I was just trying to explain the  
2 process to you.

3 **SPEAKER:** I understand.

4 **MS. DANIEL:** We are not going to look at the  
5 salaries. We are not going to look at the return on  
6 investment. We're going to go back to the last  
7 staff-assisted rate case, and whatever that -- revenue  
8 requirement is the technical term we use -- whatever  
9 that revenue requirement was the Commission approved,  
10 the company is not generating that amount of money  
11 today. And the Commission --

12 **SPEAKER:** It's a different world today. And  
13 if we have to, we'll take it to the Commission in a full  
14 proceeding.

15 **MS. DANIEL:** Of course. That's certainly the  
16 appropriate procedure. We're not making any decisions  
17 here tonight. We're explaining the process to you.

18 **SPEAKER:** The proposition that you've made  
19 puts the staff in the position of plumping for, arguing  
20 in favor of a business that didn't make what they  
21 thought they'd make, but they didn't lose anything.

22 **MS. DANIEL:** I am not advocating for the  
23 utility at all, sir. I am telling you what they have  
24 proposed, I am telling you how the Commission normally  
25 reviews one of these limited proceeding type

1 applications. We've done this before. There have been  
2 several companies that have been put in the same posture  
3 where following a rate case if there was significant  
4 water conservation such that the utility didn't generate  
5 the revenues that the Commission had already said they  
6 were entitled to recover.

7 **SPEAKER:** Why are they entitled? What law or  
8 what entitles them --

9 **MS. DANIEL:** The Commission order that  
10 followed the last staff-assisted rate case authorized  
11 the -- in the 2010 order, the Commission issued an order  
12 and said this company is entitled to generate this level  
13 of revenues. And that was in 2010 and we're in 2016.  
14 So we're going back to the revenues that the utility was  
15 entitled to in 2010. Yes, there are the add-ons, the  
16 little 1 percent or whatever that percentage was per  
17 year, but we are back at the operating expenses and the  
18 return on investment that the Commission found -- five  
19 Commissioners voted and approved an order that  
20 authorized the utility to earn a certain level of  
21 revenue. The company has asked, let me make sure I say  
22 it in the right way, the company has asked that they --  
23 that the rates be restructured such that they do, in  
24 fact, earn that level of revenue or generate that level  
25 of revenue that the Commission authorized in 2010.

1           **SPEAKER:** Is your history then that you would  
2 grant that because you're saying that they have to  
3 recover or they have to go back to that level? I didn't  
4 do it that way.

5           **MS. DANIEL:** Well, we're -- the Commission  
6 staff won't be making any decisions.

7           **SPEAKER:** Yeah. But you just said that the --  
8 in 2010 --

9           **MS. DANIEL:** The Commissioners approved a  
10 revenue requirement, yes.

11          **SPEAKER:** Right, a revenue requirement.

12          **MS. DANIEL:** Right.

13          **SPEAKER:** So that's already been approved.

14          **MS. DANIEL:** Yes, ma'am. That's correct.

15          **SPEAKER:** Which means that you are saying that  
16 their revenue requirement of going back to what they  
17 thought they would have is approved already.

18          **MS. DANIEL:** Correct.

19          **MR. SUBIN:** Based upon different usage,  
20 different customer base, different national economy,  
21 different costs. I tell you, that denies due process,  
22 substantive due process. It's unconstitutional. There  
23 will be a lawsuit over this. That's an absurd  
24 proposition.

25          **MS. DANIEL:** Well, your due process is in that

1 you are attending this meeting today.

2 **MR. SUBIN:** That's procedural due process.

3 **MS. DANIEL:** When the Commission votes, there  
4 will be a noticed Agenda Conference that you will have  
5 the ability to come before the Commissioners and speak  
6 to the Commissioners. Also, I'm not sure who, someone  
7 has already been in contact with the Office of Public  
8 Counsel.

9 **MR. SUBIN:** I have.

10 **MS. DANIEL:** Okay, Mr. Subin. They are your  
11 consumer advocate. So to the extent you have questions  
12 that you feel like staff is not pursuing in the way that  
13 you think they should, the Office of Public Counsel is  
14 your consumer advocate to make sure that whatever  
15 concerns you feel that you have are brought before the  
16 Commissioners. It is staff's goal to make sure that you  
17 are heard. Whatever your concerns are, that is our  
18 goal. We want to make sure we hear the company and we  
19 present that information to the Commissioners, but, sir,  
20 we also want to make sure that we hear the consumers and  
21 present that information to the Commissioners as well.  
22 So we are the middleman. We're the conduit for all of  
23 that information. We document it, we present it to the  
24 Commissioners.

25 **SPEAKER:** This is not personal. This is --

1           **MS. DANIEL:** I understand. I've been doing  
2 this a long time. It's okay.

3           **SPEAKER:** What is the term that you used  
4 for -- in 2010 that the Commissioners approved? You  
5 said --

6           **MS. DANIEL:** The company had filed in 2009, I  
7 believe, for a staff-assisted rate case, which is a  
8 general rate request. And it's staff assisted because  
9 for the smaller utilities with revenues of less than  
10 \$250,000 a year, the Legislature has provided the  
11 Commission staff will pull the information together  
12 instead of the company having to hire consultants and so  
13 forth to do that. So the company filed a staff -- an  
14 application for a staff-assisted rate case. And having  
15 vetted all of that and a customer meeting was held and  
16 staff collected information, an audit was done. We  
17 looked at the utility's investment, we looked at their  
18 operating expenses, and we looked at what the  
19 appropriate return on investment would be. A  
20 recommendation was taken to the Commissioners. The  
21 Commissioners voted and approved an order that set out a  
22 revenue requirement for this utility based on probably  
23 2009's facts and circumstances.

24           **SPEAKER:** What was that term, revenue what?

25           **MS. DANIEL:** Revenue requirement.

1           **SPEAKER:** Revenue requirement.

2           **MS. DANIEL:** Yes.

3           **SPEAKER:** Okay.

4           **SPEAKER:** Next speaker. Could I ask a  
5 question, please, to be sure I understand.

6           **MS. DANIEL:** Yes, ma'am. Weil, let me do  
7 this. Let me do this. Would it be helpful for us to go  
8 on and take some more comments and let's get it all out  
9 there and then circle, or do you want to continue with  
10 the question and answer? Would it be -- would you like  
11 to go on and let's get our comments out.

12           **SPEAKER:** Just to clarify the points that are  
13 being made.

14           **MS. DANIEL:** Okay. Go ahead then.

15           **SPEAKER:** I understand that they have a  
16 revenue requirement.

17           **MS. DANIEL:** Yes, ma'am.

18           **SPEAKER:** That they requested in 2009 that's  
19 based on usage and their expenses.

20           **MS. DANIEL:** Right.

21           **SPEAKER:** Now is it correct that they're  
22 requesting to honor that revenue requirement even though  
23 the usage has changed and gone down?

24           **MS. DANIEL:** That is spot on what they are  
25 requesting.

1           **SPEAKER:** So the question is why are they  
2 requiring that if their cost, unless there's something  
3 else in there, their increased cost for stamp or  
4 something that would change that whole equation, why  
5 would they require that revenue requirement when the  
6 actual usage is different?

7           **MS. DANIEL:** There are a lot of expenses to  
8 operating a utility that are considered fixed expenses  
9 that don't vary with the amount of usage. A portion of  
10 the salaries, probably most of the salaries -- this is a  
11 small company. It's not like they add on a person when  
12 usage gets over a certain threshold. Insurance,  
13 property taxes, depreciation, all of those things are  
14 fixed. So when the level of water usage goes down,  
15 there's chemicals and electricity that will go down, but  
16 those are not the big ticket items in the total  
17 operation of the utility. The capital investment is  
18 already a sunk cost, so the --

19           **SPEAKER:** So did they furnish in their letter,  
20 like, showing what their actual costs were and all those  
21 numbers?

22           **MS. DANIEL:** No, ma'am. I don't -- Charlie, I  
23 don't believe they did.

24           **MS. THOMPSON:** Excuse me, ma'am, I need names.

25           **MS. DANIEL:** Okay. Let me do this. Let me

1 get back to the script, and that's -- I knew I was going  
2 to frustrate her. We try to record this and the  
3 Commissioners will get a transcript of this, and that's  
4 why I was -- let me not take too terribly many  
5 questions. Let me go back to the way that we had been  
6 doing it and allow the speakers. And then as you have  
7 follow-up questions, we will answer each and every one  
8 of your questions and do the best that we can with that.  
9 But let me do that in the right order, if you don't  
10 mind. Okay. All right.

11 **MR. JOHNSON:** Please note it down because we  
12 do want to answer your questions.

13 **MS. DANIEL:** Absolutely.

14 **SPEAKER:** I was just afraid I'd lose my  
15 question.

16 **MS. DANIEL:** I know. I know. Write it down.  
17 Okay. I'm so sorry.

18 **MR. JOHNSON:** I'm the same exact way. Bonnie.

19 **MS. FARMER:** Yes. My name is Bonnie Farmer,  
20 F-a-r-m-e-r, and I am president of Camachee Island  
21 Owners Association. We represent 66 homes and condos on  
22 Camachee Island. And I came to this meeting not having  
23 a full background because half of our homeowners receive  
24 bills with their water -- or information with their  
25 water bill. The other half pay it through their dues,



1 so they never see a water bill. So as a homeowner at  
2 3431 Harbor Drive -- sorry, I left that out -- I did not  
3 receive any notification of this. It wasn't until Bill  
4 Coleman from Lands End let us know that this was  
5 happened. The hurricane happened and we have quite a  
6 few other issues.

7 I don't feel as though we have information  
8 enough to understand what is going on, but I'm certainly  
9 appalled by what I hear about a company being assured,  
10 if I hear it correctly, that they will get the return  
11 that they had asked for in 2010. And as an association,  
12 I can unequivocally say that we are with Lands End and  
13 are against a 66 percent hike.

14 Our average person in the condos, in The  
15 Homes, I would say, is about 60 to 95 is some of our  
16 oldest customers, and those people that have a  
17 66 percent increase is beyond what they could do.

18 So I think this process such that we are going  
19 on record as saying the CIOA is against the 66 percent  
20 increase.

21 **MS. DANIEL:** Thank you.

22 **MS. FARMER:** I do not feel, though, at this  
23 time that we have adequate information, as I said, to  
24 ask more questions.

25 **MR. JOHNSON:** Mr. Bill Coleman.

1                   **MR. COLEMAN:**    I'm Bill Coleman,  
2                   C-o-l-e-m-a-n.  I live at 3423 Lands End Drive.  I'm  
3                   president of the Lands End Homeowners Association.

4                   I've been in the insurance business for  
5                   45 years.  If I sent any of you a bill that had a  
6                   66 percent increase, you'd want answers, you'd want to  
7                   know why.  So that's what we want.  We want to know why.

8                   In terms of the information that we've been  
9                   given, we can't figure out why.  But let me point out  
10                  one, I think, very, very key point.

11                  In 2010 and 2009, this marina was full.  The  
12                  homeowners and this conservation issue are still  
13                  probably using pretty close to what they used in 2009,  
14                  2010.  The marina went from a period of being full with  
15                  a waiting list to being, I think, at one point 70 slips  
16                  that were empty, and obviously usage dropped off  
17                  dramatically.

18                  Now you're promulgating rates going into the  
19                  future.  The economy has improved, the marina is back to  
20                  being full or close to full, so the numbers that you're  
21                  using from the dip in the economy no longer really apply  
22                  going forward as the marina has now recovered and back  
23                  on their feet in terms of occupancy and, therefore,  
24                  usage.  So I'd like the Commission to consider that  
25                  these numbers are not a straight line.  They're a big

1 dip with the economy. Conservation did not occur  
2 through the residential usage. It occurred through the  
3 lack of operation in the marina.

4 Again, we've not been given enough information  
5 to know what the real picture is. If it's all on the  
6 expectation of a formula that was established back in  
7 2009, I suggest the Commission consider recalculating  
8 that formula and understanding what the true expenses  
9 are of the operation as it stands now. Thank you.

10 **MS. DANIEL:** Thank you.

11 **MR. JOHNSON:** Bill Young.

12 **MR. YOUNG:** Good. Evening. I'm Bill Young,  
13 241 Palmetto Avenue. I am the director of utilities for  
14 St. Johns County, and I've been asked to be here tonight  
15 by the district commissioner. She's very concerned  
16 obviously for the ratepayer here. We -- as I say, I've  
17 been working for the county/public sector utility for  
18 31 years, so I know the business pretty well. And I can  
19 tell you what the main concerns are. Obviously when you  
20 hear talk of a 66 percent rate increase, that raises  
21 eyebrows. That's pretty unheard of in the public  
22 sector. And they also are very concerned that when they  
23 hear the public is having trouble getting information on  
24 the justification for the increase.

25 We just had a four-year rate increase in Ponte

1 Vedra passed with zero opposition. And the way we got  
2 that -- the way that happened is we went out to the  
3 public, we opened our books, we showed them why we  
4 needed the rate increase, and they basically, to a man,  
5 supported the rate increase. So you get a four-year  
6 rate increase in Ponte Vedra, if you've ever been there,  
7 you're doing something. And the way you do that is  
8 you're totally open, you open your books. You  
9 explain -- I mean, I can't believe you have a 66 percent  
10 rate increase and not want to know about subsidizations  
11 of operation or salaries or those things. So I think  
12 it's fair to say that at least this one commissioner is  
13 very concerned when she sees a rate increase of that  
14 size and the fact that the public, the customers are not  
15 getting the information they're requesting.

16 And if I could, while I'm here, just one  
17 question, and I think I know the answer to this, but if  
18 you're guaranteed a profit at the -- you can raise rates  
19 to -- are you capped? If they make -- are they capped  
20 if they make too much, to protect the customers or is --

21 **MS. DANIEL:** I can answer it.

22 **MR. YOUNG:** I'm just curious. Thank you.

23 **MS. DANIEL:** Yes, sir. Was that the end of  
24 your presentation?

25 **MR. YOUNG:** Yes. Thank you.

1           **MS. DANIEL:** Thank you for coming, Mr. Young.

2           Are they guaranteed a profit? No. They're  
3 offered an opportunity to earn a return on their  
4 investment. The Commission does not guarantee a profit  
5 such that if this revenue requirement doesn't achieve --  
6 if the rates that they have today don't get them to that  
7 full revenue requirement, the Commission does not  
8 guarantee that they will. It was such a significant  
9 reduction in water demand that the Commission is willing  
10 to relook at it to see where that imbalance occurred.

11           If they earn too much, what does the  
12 Commission do? The companies file annual reports with  
13 the Commission, and we monitor those and we look at the  
14 return on investment on those annual reports. And if it  
15 does -- if the Commission sets a percentage return on  
16 investment that the utility is allowed to earn with an  
17 upper and lower limit. And if the company exceeds that  
18 upper limit, the companies are called in for an  
19 investigation to see whether the rates should be  
20 reduced. So we don't guarantee a revenue -- a profit,  
21 and certainly if we believe that the company is  
22 overearning, we have a mechanism to bring them in. So  
23 does that answer your question?

24           **MR. YOUNG:** Yes, thank you.

25           **MS. DANIEL:** Thank you.

1           **MR. JOHNSON:** Would anybody else like to  
2 speak? I'll still -- does -- did you remember your  
3 question from earlier?

4           **MS. SCOVANNER:** I already ask my question.

5           **MR. JOHNSON:** Yes, ma'am.

6           **MS. THOMPSON:** Could I get your name.

7           **MS. SCOVANNER:** Kathy Scovanner,  
8 S-c-o-v-a-n-n-e-r, 7416 Lands End Drive.

9           **MS. DANIEL:** Kathy, do you mind -- we have our  
10 recorder up here, and it will be so much easier for our  
11 court reporter to transcribe it. Do you mind coming up  
12 to the table to speak?

13           **SPEAKER:** She already asked her question.

14           **MS. SCOVANNER:** I didn't have anything else to  
15 say.

16           **MS. THOMPSON:** Okay.

17           **SPEAKER:** I just asked a question.

18           **MR. JOHNSON:** I have no problem bringing it to  
19 you. No problem.

20           **MS. SCOVANNER:** So my question was I wanted to  
21 clarify how this process was working, and my  
22 understanding is in 2009, 2010 they had a revenue  
23 requirement based on whatever the factors were, water  
24 usage, their costs and all that. My question was why  
25 would -- if they're asking to honor that same revenue

1 requirement and the facts are different, don't we have  
2 access to get to know what those facts are and why  
3 they're justifying a revenue requirement from a  
4 different time and place. Is that close to what I said?  
5 Thank you.

6 **MS. DANIEL:** Thank you.

7 **MR. JOHNSON:** First I'd like to stress  
8 something that Patti said, that the revenue requirement  
9 in 2010 was approved and the rates were approved then.  
10 These rates that they've come in and requested, the rate  
11 increase they've requested has not been approved. We're  
12 in that process of reviewing it. And that's why I  
13 really like holding this customer meeting because what  
14 you mentioned earlier about, you know, the marina, I had  
15 never taken that into consideration and I never would  
16 have because I didn't live here. And that's why we need  
17 to come have this customer meeting so we can speak to  
18 the customers, get an idea of what's going on here,  
19 really understand your point of view, and now I can go  
20 back and we can request even more information and look  
21 into this even further. So that's really the point of  
22 this customer meeting.

23 And to address your question in a way that I  
24 was thinking might make sense, and it might not make  
25 sense to anyone except me, but in the basics, if the

1 utility comes in in 2010 and the Commission looks at all  
2 their expenses, everything that goes into running the  
3 utility, and let's say it costs 20 -- and this is a  
4 completely random number -- \$20,000 a year to run the  
5 utility, the Commission approves a revenue requirement  
6 of, let's say, \$22,000. So we want them to make -- at  
7 that point in time we approved a revenue requirement for  
8 hypothetically \$22,000. And then over the -- we set  
9 rates based on the water usage at that point that we  
10 said, if the customers continue to use this amount of  
11 water, this utility will make \$22,000.

12 And now we're in 2016. The utility has come  
13 back and said, "We're not making that money. The  
14 customers quit using as much water and the rates aren't  
15 getting us there." And let's say it takes \$20,000 to  
16 operate said utility and the utility is only making  
17 \$16,000, they're not making even enough to operate. And  
18 so that's kind of a huge hypothetical situation that I  
19 just threw out there to kind of bring an understanding.  
20 So the utility comes in, asks for a rate increase to  
21 reach that number, the revenue requirement that was  
22 approved in 2010.

23 And so when we did look at the expenses, and  
24 you're right, expenses do change over time, in this  
25 limited proceeding process we were basing their expenses



1 off the approved 2010 rate case.

2 Yes, sir.

3 **SPEAKER:** A question for Bill Young. What was  
4 the increase that was finally approved for Ponte Vedra?

5 **MR. YOUNG:** 6 percent.

6 **SPEAKER:** 6 percent. Okay. 6 percent versus  
7 66 percent.

8 **MR. YOUNG:** 6 percent for four years, so  
9 24 percent over four years. 6 percent per year, yes,  
10 sir.

11 **MS. FARMER:** Are you aware too of the process  
12 of boats coming into the marina, they are charged per  
13 foot? Water is not charged to them. So when you come  
14 in, you get -- all that can be part of the cost. But  
15 that is one of the selling points here at the marina is  
16 you have free water for your boat. So someone can come  
17 in with a 55-foot boat, wash their boat, do everything,  
18 and then as a result, the 66 percent is incurred to the  
19 homeowners here.

20 **MR. SABO:** Bonnie, that's not correct because  
21 we -- each dock is metered. We pay that, the marina  
22 pays that.

23 **MS. FARMER:** Right. But you -- who else is  
24 incurring the cost of the increase other than the  
25 homeowners?

1           **MR. SABO:** The marina. We pay for every --

2           **MS. FARMER:** The marina. But where is the  
3 66 percent going up to the dock fees?

4           **MR. SABO:** Well, every gallon that's sold will  
5 be an increase of 66 percent the marina will pay for.

6           **MS. FARMER:** The marina.

7           **MR. SABO:** Right.

8           **MS. FARMER:** That's what I'm asking. You are  
9 asking us to --

10          **MS. DANIEL:** If I could interrupt, I'm so  
11 sorry, but we're trying to record this. And Mr. Sabo --

12          **MR. SABO:** I'm sorry.

13          **MS. FARMER:** Okay.

14          **MS. DANIEL:** Let me -- I'm sorry. And I want  
15 to answer your questions, but we're going to need to get  
16 to the microphone or whatever. And I guess -- and let  
17 me get over here. But just what I'm hearing -- you have  
18 a question about the boats aren't paying for water  
19 demand. And what Mr. Sabo is saying is the water demand  
20 is paid for. It is paid for by the marina.

21          **MS. FARMER:** Right. But then the marina is  
22 asking to pass on a 66 percent increase, not asking the  
23 boat people to pay.

24          **MR. JOHNSON:** I think there's a  
25 differentiation between the marina and the utility

1 company. The marina is a customer of the utility  
2 company and they pay that water bill that is used by  
3 their customers, is my understanding.

4 **MS. FARMER:** I understand that. I understand  
5 that.

6 **MR. JOHNSON:** Okay.

7 **MS. FARMER:** But they -- the only people right  
8 now who are being asked to incur a 66 percent increase  
9 are the homeowners and condo owners; correct?

10 **MS. DANIEL:** That's not correct.

11 **MR. JOHNSON:** That's not correct. The marina  
12 is also a customer of the utility.

13 **MS. FARMER:** Okay.

14 **MR. JOHNSON:** So they will also be paying the  
15 increased rate if it's approved.

16 **SPEAKER:** But, Charlie, the marina is owned by  
17 the same company that owns the utility.

18 **MS. FARMER:** Right. Right.

19 **SPEAKER:** Different pocket, same pair of  
20 hands.

21 **MR. JOHNSON:** Yes, I understand that.

22 **MS. FARMER:** My question goes back -- do you  
23 want me to look into the camera right there?

24 **MR. JOHNSON:** You don't have to look into the  
25 camera.

1           **MS. THOMPSON:** It's not necessary, but I will

2           --

3           **MS. FARMER:** My question goes --

4           **SPEAKER:** Am I able to speak regarding the  
5 back and forth with the -- can I cut in? Is that  
6 unusual? I don't know the policy, but --

7           **MS. DANIEL:** It is a little bit because you're  
8 with the utility. So tell me what it is you would like  
9 to speak to.

10          **SPEAKER:** Well, my name is Linda. I'm the  
11 bookkeeping. And all I want to do is explain the  
12 structure of the water billing. I'm not for the  
13 increase.

14          **MS. DANIEL:** We got this.

15          **SPEAKER:** Oh, are you sure?

16          **MS. DANIEL:** We got this.

17          **SPEAKER:** Okay.

18          **MS. DANIEL:** Yeah.

19          **SPEAKER:** Because it is -- the price increase  
20 is going across the board.

21          **MS. DANIEL:** And, again, it's your meeting, so  
22 I want the utility here to observe. If there's  
23 something we need to follow up with them, I will call  
24 and write and find out. But I do try to make sure it is  
25 your meeting, that your questions are being answered.

1 If I can't answer it today, I will get back to it. And  
2 she's right where she was going, and correct me if I'm  
3 wrong, okay, if there is a rate increase, the marina  
4 will experience it as well. And I understand that both  
5 the marina and the utility are owned by the same entity.

6 **SPEAKER:** They were -- it goes back to what  
7 Bill just said, they're the same company.

8 **MS. DANIEL:** It's -- I'm sorry?

9 **SPEAKER:** They are the same company.

10 **SPEAKER:** I love the term different pockets,  
11 same pair of hands.

12 **SPEAKER:** You had mentioned that from here the  
13 process would be that if we would like to go online and  
14 see what is happening, there are so many questions, is  
15 there -- and I haven't had a chance to read all the  
16 dates and so forth up here -- a chance for us to come  
17 back and have this same type of meeting because you  
18 don't have the same input if you have one person  
19 checking the internet or checking to see what is online  
20 and someone else checking, and we don't know what  
21 correspondence is going up.

22 **MS. DANIEL:** I understand. A couple of things  
23 to that, we will not be able to come back and do another  
24 customer meeting. Our -- the Commission's budget does  
25 not anticipate that. But we -- this is not an uncommon

1 occurrence that customers have continuing questions  
2 after the customer meeting. So what we've done is in  
3 the staff report, Kelly has put it in front of me to  
4 make sure I don't forget to tell you, we have technical  
5 staff assigned to this docket.

6 **SPEAKER:** Let me skip over that. We don't  
7 need to do that. Can we come to the Commissioners'  
8 meeting then?

9 **MS. DANIEL:** Absolutely.

10 **SPEAKER:** Okay. That's my question.

11 **MS. DANIEL:** When the Commissioners meet, and  
12 it's tentatively scheduled for the January 5th of 2017  
13 agenda.

14 **SPEAKER:** Are they voting then?

15 **MS. DANIEL:** That would be the date they vote.  
16 Now that date is not hard and fast. That's why I say  
17 tentative. But if you will go online on the  
18 Commission's website, if that schedule changes, you will  
19 be able to see that. If you have any trouble going  
20 online and figuring out how to look at the information  
21 that the -- has been filed and so forth and when the  
22 schedule is, if you have any trouble, you've got  
23 Commission staff's names that you can call and say, "I'm  
24 not understanding this."

25 **MS. THOMPSON:** Charlie's direct number is in

1 the Special Report.

2 **SPEAKER:** Okay.

3 **MS. DANIEL:** So you can call us, you can ask  
4 us what's going on.

5 **SPEAKER:** But we can't, as a body, present our  
6 concerns.

7 **MS. DANIEL:** Yes, you can.

8 **SPEAKER:** Except at the voting that night.

9 **MS. DANIEL:** If you wish to write a letter,  
10 and that's exactly what this is designed for. I mean,  
11 don't feel like you're encumbered by this piece of  
12 paper. If you think that there are things that we're  
13 just not getting today --

14 **SPEAKER:** Well, we don't have the facts, so  
15 how can we make an intelligent comment without facts?

16 **MS. DANIEL:** You write to us. You call the  
17 Office of Public Counsel. They are your consumer  
18 advocate, and they have technical staff, just like the  
19 Commission does, that looks at cases like this and they  
20 can hands-on assist you with things. So your voice will  
21 be heard.

22 All right? Do we have some more questions  
23 that you would like on the record that would be included  
24 in the transcript? Charlie and Kelly and I are going to  
25 stick around for a few minutes after we close out the

1 customer meeting so that if you wanted to have a  
2 one-on-one conversation, we can do that as well. But I  
3 want to make sure that if there were any other concerns  
4 or questions that you had that you wanted included in  
5 the transcript of this meeting, that we take care of  
6 that before we close out the customer meeting.

7 Charlie, do you have some parting words for  
8 us?

9 **MR. JOHNSON:** It's now 6:54. I really want to  
10 thank everyone for coming out and participating in this  
11 customer meeting. Like I said, it was very helpful for  
12 us in helping us know where we want or need to go and  
13 what direction we need to go in the future. Really feel  
14 free to reach out to me if you have any questions.

15 We've talked about following the docket  
16 online. I wasn't able to show you the website on the  
17 PowerPoint. So if you have any questions about how to  
18 reach that, give me a call or I can show you right now.  
19 The docket number that I listed off that's on the  
20 Special Report will be used to follow it on the  
21 Commission website. And on that note, this meeting is  
22 closed. Thank you very much.

23 (Customer meeting concluded at 6:54 p.m.)  
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STATE OF FLORIDA     )  
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COUNTY OF LEON     )

CERTIFICATE OF REPORTER

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

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

DATED this 28th day of October, 2016.

*Linda Boles*  
\_\_\_\_\_  
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