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BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 160143-WU

APPLICATION FOR STAFF-ASSISTED  
RATE CASE IN HARDEE COUNTY BY  
CHARLIE CREEK UTILITIES, LLC.

\_\_\_\_\_ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA  
ITEM NO. 7

COMMISSIONERS  
PARTICIPATING: CHAIRMAN JULIE I. BROWN  
COMMISSIONER ART GRAHAM  
COMMISSIONER RONALD A. BRISÉ  
COMMISSIONER JIMMY PATRONIS  
COMMISSIONER DONALD J. POLMANN

DATE: Tuesday, April 4, 2017

PLACE: Betty Easley Conference Center  
Room 148  
4075 Esplanade Way  
Tallahassee, Florida

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

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

1  
2           **CHAIRMAN BROWN:** We are moving on to our last  
3 item, which is Item 7. Staff, can you go ahead and  
4 introduce the item, please.

5           **MS. FRIEDRICH:** Good morning. I'm Marissa  
6 speaking on behalf of Commission staff.

7           Item No. 7 addresses the application of  
8 Charlie Creek Utilities, LLC, for a staff-assisted rate  
9 case in Hardee County. The utility is a Class C utility  
10 providing water service to approximately 145 customers  
11 in Wauchula, Florida.

12           Staff is recommending a revenue increase of  
13 14.98 percent due to the utility's increased operating  
14 expenses and under-earnings. The recommendation is for  
15 the approval of an increase in service rates and  
16 miscellaneous service, late payment, and convenience  
17 charges.

18           Additionally, staff is recommending a \$50  
19 meter tampering charge and the discontinuation of the  
20 plant capacity charge. There has been customer contact  
21 and a petition with 20 signatories addressing water  
22 quality, system maintenance, and water disruptions.

23           Staff has an oral modification which has been  
24 previously provided. And the utility and OPC are  
25 present at today's agenda, and staff is prepared to

1 answer any questions at this time.

2 **CHAIRMAN BROWN:** Okay. Thank you.

3 We're going to go to the utility first to have  
4 them highlight, Mr. Smallridge, the issues, the areas  
5 of -- that you'd like to address the Commission, if you  
6 would you like to address the Commission at this time.

7 **MR. SMALLRIDGE:** Did you say --

8 **CHAIRMAN BROWN:** Please turn your microphone  
9 on. Highlight the issues that you would like to  
10 address, please.

11 **MR. SMALLRIDGE:** The only issue that the  
12 utility would like to go forward and address is the  
13 issue of the officer salary.

14 **CHAIRMAN BROWN:** All right. You can go ahead  
15 and do that at this time.

16 **MR. SMALLRIDGE:** Okay.

17 **CHAIRMAN BROWN:** I believe a handout is coming  
18 around?

19 **MR. SMALLRIDGE:** Yes, ma'am.

20 **CHAIRMAN BROWN:** Okay. It looks like we all  
21 have it. You have the floor, sir.

22 **MR. SMALLRIDGE:** Okay. Thank you.

23 This issue was first addressed by the  
24 Commission and the utility in a docket we had a month or  
25 so ago for East Marion Utilities in which the utility

1 submitted a copy of the AWWA salary survey and asked  
2 that the officer salary be increased.

3 I don't know if you recall, but at that time I  
4 had a -- I told the Commission that I had a company,  
5 consulting company come out and conduct a study for me,  
6 and at that time there were some questions that came up  
7 at that hearing that I just wasn't prepared to answer  
8 because I wasn't directly involved in the study and the  
9 calculation of it.

10 So I have with me today Mr. Jeff Small. I'm  
11 going to, if it's okay, turn the microphone over to him  
12 and let him go through the, the whole study and why he  
13 came up with the numbers he did and where we got to the  
14 point we are. And then if the Commissioners have any  
15 questions, they can ask him directly and have the -- get  
16 the most informed answer.

17 **CHAIRMAN BROWN:** Thank you. And,  
18 Commissioners, this is Issue 6 on page 16 for your  
19 reference. You may have -- you may proceed, sir.

20 **MR. SMALL:** Good morning, Commissioners, Madam  
21 Chair. I'm Jeff Small of Ocboa Consulting, LLC.

22 **CHAIRMAN BROWN:** So wait. You're Mr. Small  
23 and this is Mr. Smallridge.

24 **MR. SMALL:** Close. Mr. Smallridge has asked  
25 me to speak with you today and provide additional

1 information concerning the salary compensation study  
2 that was prepared by myself to support the requested  
3 salaries of Florida Utility Services employees included  
4 in the Charlie Creek Utilities docket.

5 To be brief, I will limit my comments to  
6 the -- to the two following issues: The inputs that I  
7 used to develop the study and, second, to provide  
8 additional information that hopefully affords a more  
9 complete answer to some of the questions that were asked  
10 in last month's agenda in the East Marion Utilities  
11 docket.

12 First, the compensation study I provided was  
13 developed from the following inputs: I requested a list  
14 of Florida Utility Services employees that included the  
15 top three jobs performed by each employee with the  
16 percentage of time that they spent on each activity. I  
17 also requested information on their employment history  
18 with Florida Utility Services as well as within the  
19 specific industry for their job.

20 I obtained and reviewed five prior FPSC orders  
21 and related documents for Florida utility system --  
22 Florida Utility Services owned or managed systems that  
23 specifically addressed employee compensation.

24 I obtained and reviewed the 2016 American  
25 Waterworks Association Compensation Survey for Rural

1 Water and Wastewater Utilities that was released in  
2 October of 2016.

3 I obtained and reviewed 18 prior PSC orders  
4 and supporting documents related to Commission staff's  
5 use of the AWWA compensation survey to evaluate salary  
6 levels for various employee responsibilities in  
7 individual utility rate proceedings.

8 The objective and focus of my study was to  
9 develop a competitive salary range for FUS employees  
10 that encompassed established PSC policies using the 2016  
11 AWWA industry benchmarks for employee compensation. I  
12 believe that the study I provided to Mr. Smallridge  
13 achieved that objective: firstly, because staff accepted  
14 and approved the requested salary levels for all five of  
15 FUS employees; second, staff approved the utility's  
16 request for a new part-time employee at a salary level  
17 above what was initially requested for that position;  
18 third, staff, in its analysis, stated that the  
19 compensation survey was thorough and that they were able  
20 to reproduce the same results in their recalculations;  
21 and finally, staff stated at last month's Agenda  
22 Conference, quote, we performed three different  
23 analysis, came up with a good, solid range, and the AWWA  
24 survey seemed to fit the range the best, and staff could  
25 get a reasonable appropriate number using that system.

1 I believe that the only issue before us in  
2 the -- the only issue before us now is the appropriate  
3 salary level for Mr. Smallridge as the manager and sole  
4 owner of the nine utilities that are owned and operated  
5 by him under the FUS umbrella, and that issue is really  
6 just a matter of opinion and interpretation of the data.

7 Secondly, I'd like to address some of the  
8 questions that were posed during the East Marion  
9 Utilities Agenda Conference about the AWWA study.  
10 Commissioner Brisé, you asked staff about the  
11 characterization of the range or number that staff  
12 selected and suggested that it was in the lower  
13 quartile. Staff's response, that it was in the 50th  
14 percentile, or about \$69,000, based on the 2015 AWWA  
15 study. Staff's salary number was \$70,072, which is  
16 approximately 15 percent above the minimum average  
17 salary level of 66,265 in the 2016 AWWA study.

18 Staff went on to comment that the AWWA study's  
19 sample size was pretty small and not a good barometer of  
20 the average salary range. To clarify the issue, the  
21 AWWA study was based on responses from 182 water and  
22 wastewater utilities that serve less than 10,000  
23 customers. 92 percent of those respondents have fewer  
24 than 25 employees. Granted, the -- granted, the  
25 overwhelming majority of these respondents were

1 municipal, governmental, or quasi-governmental  
2 operations. In reality, however, these are the same  
3 entities that small private utilities here in Florida  
4 such as Mr. Smallridge's and nationwide must compete  
5 with for experienced and quality employees that they  
6 need to staff their operations.

7 Commissioner Brisé, you asked -- you  
8 questioned staff as to whether there were distinguishing  
9 factors that differentiate how the salaries fall into a  
10 specific range. Staff's response was that there wasn't  
11 anything in the study that really distinguishes what  
12 makes an average salary on the highest or lowest or  
13 midpoint range. To clarify, the AWWA study provides  
14 clear language that describes the characteristics that  
15 were used in determining the three salary ranges for  
16 average minimum, average midpoint, and average maximum.  
17 I direct your attention to the handout that I have  
18 provided, which is a page from that 2016 AWWA study.

19 And the one that I'd like to emphasize is that  
20 the average salary range for the minimum, and it states:  
21 "This is the lowest value in the established salary  
22 language." This typically represents the starting rate  
23 of an organization used when filling in a vacancy with a  
24 candidate who satisfies the minimum education  
25 requirements and has no relevant experience.



1           Staff went on to comment that I, as a  
2 consultant, used the maximum range based on executive  
3 level employees that had obtained and performed the  
4 advanced skills required for the respective positions.

5           To clarify, the compensation study that I  
6 performed for Florida Utility Services identified three  
7 salary ranges. The ranges of average minimum, average  
8 median, and average maximum were developed after  
9 reviewing multiple rate case proceedings where  
10 Commission staff used the AWWA compensation study to  
11 either accept, reject, reduce or, in some instances, set  
12 a utility's officer or employee salary level. The  
13 descriptions I used to identify the three skill sets  
14 required for each level of compensation is consistent  
15 with Commission staff's methodology in the prior  
16 Commission orders that I reviewed.

17           Mr. Smallridge has worked in the utility  
18 industry as an owner or manager for the last 12 years  
19 before this Commission, and he has over 30 years  
20 experience in the utility industry overall. With that  
21 information, I'll conclude my statement with the  
22 following facts: My compensation study recommends a  
23 salary range between the average median of 79,144 to the  
24 average maximum of 93,823 for his position. Commission  
25 staff's proposed salary of 70,702 is approximately

1 18 percent above his current salary, which was \$60,000,  
2 and it was initially approved in the Pinecrest and West  
3 Lakeland staff-assisted rate case dockets that had  
4 historical test years of 2012.

5 Staff at that time used the 2012 AWWA  
6 compensation study as the basis to approve his salary  
7 because, quote, the requested officer's salary level was  
8 below the average or median salary rate for his  
9 respective duties. Staff, for this proceeding, set his  
10 salary level at approximately 15 percent above the  
11 average minimum or 70 percent below the average median  
12 salary rate for his position, which was the basis for  
13 determining his salary when it was last set by this  
14 Commission.

15 Thank you for the opportunity to provide  
16 additional information that I hope will be useful,  
17 should you desire to reconsider this issue, and I'm  
18 available to answer any questions.

19 **CHAIRMAN BROWN:** Thank you, Mr. Small.

20 Office of Public Counsel, Mr. Rehwinkel.

21 **MR. REHWINKEL:** Thank you, Madam Chairman.

22 Charles Rehwinkel with the Office of Public Counsel.  
23 Trish Merchant and Patty Christensen are here today to  
24 address substantive issues in support of your staff's  
25 recommendation, if needed. I'm here to make a statement

1 that -- for the record that is this.

2 **CHAIRMAN BROWN:** Operating ratio methodology?

3 **MR. REHWINKEL:** Yes. The Public Counsel  
4 supports the results of the staff recommendation for  
5 Charlie Creek Utilities, and we do understand that you  
6 have taken to heart our comments at the East Marion case  
7 agenda and are seriously considering rulemaking for  
8 officially adopting the application of an operating  
9 margin policy. We commend you for this, and we urge the  
10 Commission to move appropriately in this direction to  
11 minimize the possibility of a problematic application of  
12 this policy outside of rulemaking.

13 We understand that you are also moving forward  
14 in individual cases like the one here today with the  
15 best interest of the customers in mind, and we continue  
16 to believe, however, that the Commission's policies  
17 should be codified in rules when they no longer are  
18 incipient in nature. And the 21-year-old operating  
19 margin policy is a prime example of this and, thus, the  
20 reason we state for the record that it ideally should be  
21 adopted in the form of an adopted rule.

22 We will strive to bring to your attention  
23 circumstances where we believe rulemaking is legally  
24 required for application of policies. Having said this,  
25 we commend your staff for a thorough and well done

1 recommendation, and we support its adoption. Thank you.

2 **CHAIRMAN BROWN:** Thank you, Mr. Rehwinkel.  
3 And appreciate you all being here for any questions as  
4 well.

5 All right. Commissioners, at this time I'll  
6 open the floor to questions on any specific items that  
7 you have. I see Commissioner Polmann.

8 **COMMISSIONER POLMANN:** A couple of questions.

9 **CHAIRMAN BROWN:** Microphone. I know. There's  
10 so many buttons.

11 **COMMISSIONER POLMANN:** I did push the button.  
12 I did. It's now green, but I pushed it before.

13 **CHAIRMAN BROWN:** Someone muted you. It wasn't  
14 me.

15 **COMMISSIONER POLMANN:** Are you guys messing  
16 with my button?

17 **CHAIRMAN BROWN:** We've got a deal going on.  
18 No, I'm just joking.

19 (Laughter.)

20 **COMMISSIONER POLMANN:** Is there somebody in  
21 the back messing with my --

22 **CHAIRMAN BROWN:** Mr. -- yes, Mr. Staden is  
23 actively watching you right now and putting you on mute.

24 **COMMISSIONER POLMANN:** You want to talk about  
25 the button some more?

1           **CHAIRMAN BROWN:** You have the floor.

2           **COMMISSIONER POLMANN:** My apologies about the  
3 button.

4           A question on your comments, sir. You have  
5 mentioned a variety of things, I didn't write down the  
6 whole list, items that were taken into account. The  
7 sheet that you handed out, A7, A8, A9 were highlighted.  
8 And my question was in the context of all of the  
9 different factors, taking into account your reference to  
10 utility workers that are essentially competitive -- the  
11 competitive base on which Mr. Smallridge is hiring from  
12 that are, that are the basis for the salary comparisons,  
13 my question is did your approach take into account the  
14 geographic or regional adjustments that should be made,  
15 given the location in -- where these employees are  
16 working? Because I've known that that has been done in  
17 other cases in Florida.

18           **MR. SMALL:** No, sir. The AWWA study does not  
19 take into account regional or geographic locations in  
20 its findings.

21           **COMMISSIONER POLMANN:** My concern is, and I'm  
22 familiar with salary surveys from my experience  
23 elsewhere in government service in the utility industry,  
24 that the AWWA is a reference and there are many other  
25 factors that are typically brought into play. And

1 having recruited and hired staff and tried to recruit  
2 them from other locations, that the salaries in Florida  
3 for this type of work are often lower. It makes it  
4 difficult to bring people from elsewhere, and it has to  
5 do with such things as cost of living or other factors.  
6 So I just wanted to bring that comment forward, that  
7 there are issues often beyond AWWA comparisons that can  
8 be brought to bear on the issue. So thank you for your  
9 answer.

10 You had mentioned also that placing  
11 Mr. Smallwood (sic) in a particular -- I'm sorry.  
12 Smallwood? Smallridge?

13 **MR. SMALLRIDGE:** Smallridge, yes.

14 **COMMISSIONER POLMANN:** I'm sorry -- in a  
15 particular category was based on advanced skills  
16 required to fulfill his duties and ending up at the top  
17 the range.

18 Now would you measure his skills within the  
19 category as being advanced within the category of the  
20 owner and manager, or does his advanced skills simply  
21 place him within the category? Is he in the category  
22 because he's the owner, or is -- within that category,  
23 does he have advanced skills?

24 **MR. SMALL:** The compensation study that I  
25 provided to Mr. Smallridge recommended -- provided him a

1 range from the average median to the average maximum,  
2 the average median being the -- I think you said it was  
3 A -- the middle range to the maximum range. The  
4 specific choice of the salary that he's -- that was  
5 selected was his choice. And when I -- in essence when  
6 I gave him the survey, I said, "I recommend that your  
7 salary is between these two points, but the ultimate  
8 decision as to what salary you request is up to you."

9 The description of the advanced skills, and I  
10 forget the entire terminology, that is coming from  
11 reviewing the Commission orders and Commission  
12 practices. That is the terminology that they would use,  
13 and that's -- I used that as an example to explain what  
14 would be in that higher tier.

15 **COMMISSIONER POLMANN:** Okay. I'll leave it at  
16 that for the moment. I may come back with another  
17 question. Thank you.

18 **CHAIRMAN BROWN:** Certainly. And I just want  
19 clarification for the record, Mr. Smallridge, if this is  
20 considered a motion for reconsideration from that  
21 previous docket that was -- I guess the protest period  
22 expires on April 14th, and if you are moving orally here  
23 today for a reconsideration of that vote? Because it  
24 kind of sounded like you were.

25 **MS. HELTON:** You can't reconsider.

1           **CHAIRMAN BROWN:** Oh, I'm just asking. I'm  
2 just asking. I didn't -- it just sounded to me like  
3 that was what you were, were making here today.

4           **MR. SMALLRIDGE:** To be perfectly honest with  
5 you, Commissioner, I'm not familiar with that rule. I  
6 don't know the answer to that question. What I would --  
7 what I'd -- my purpose here today was to see if we could  
8 have a different answer for the Charlie Creek rate case.

9           **CHAIRMAN BROWN:** This particular one, not for  
10 the --

11           **MR. SMALLRIDGE:** Yes, ma'am, going forward.

12           **CHAIRMAN BROWN:** Okay. Because I thought you  
13 were talking about -- what we approved was 70,000 for --  
14 correct? Was it 70,000, staff, in the last --

15           **MR. VOGEL:** It as 72,704 in the last case.

16           **CHAIRMAN BROWN:** 72. And in this docket, it's  
17 the same amount.

18           **MR. VOGEL:** That is correct.

19           **MR. SMALLRIDGE:** Carried forward, right,  
20 72,704.

21           **CHAIRMAN BROWN:** So you're talking about for  
22 this docket, Mr. Smallridge?

23           **MR. SMALLRIDGE:** Yes, ma'am.

24           **CHAIRMAN BROWN:** Okay. I just wanted  
25 clarification. I got a little confused there.



1           Commissioners, I have just two issues here,  
2 two questions on the whole recommendation. The one is  
3 on Issue 6, which is the contractual services with the  
4 engineering firm that you selected. It's a big chunk.  
5 It's \$4,100 for that particular consultation. I just  
6 want clarification on that. Does that include fixing  
7 the calcification issue, those costs?

8           **MR. SMALLRIDGE:** No, ma'am. Can I tell -- can  
9 I answer your question about the engineering thing  
10 because staff brought it up several times? And I get  
11 it. I understand what you're trying to accomplish. I  
12 need to tell you, in that area of Hardee County, north  
13 Sebring, the honest answer is it's just not a sexy  
14 project. These guys want -- these engineering firms  
15 want to do half-million-dollar roads and \$40 million  
16 sewer plants. They're just not interested in little  
17 projects like this. And I just -- I spent a lot of time  
18 calling these guys, and some of them just wouldn't even  
19 give me written bids. And it's kind of -- that part of  
20 Hardee County, Wauchula is, you know, very, very remote  
21 and there just -- I want the Commission to know I tried  
22 and there was just --

23           **CHAIRMAN BROWN:** Who's the engineer that you  
24 got the bid from?

25           **MR. SMALLRIDGE:** Julian Coto, Excel

1 Engineering.

2 **CHAIRMAN BROWN:** Okay. Who's familiar. Now  
3 as part of that amount that was requested in the scope  
4 of services, does that also correct the calcification  
5 issue that seems to be persistent over the years in  
6 this, in this area?

7 **MR. SMALLRIDGE:** Well, the biggest part of the  
8 expense is it requires a DEP permit. We have to have  
9 DEP sign off on it. So the biggest part of the  
10 engineering expense is the time to prepare the permit  
11 and get it all ready to submit to DEP. So the cost  
12 you're talking about does not include the DEP permit  
13 fee, filing fee.

14 In -- the working theory solution that we have  
15 now going forward is not very expensive. It's a  
16 chemical injection to neutralize the pH and keep the  
17 calcium in solution, which is what's common around  
18 Florida. I think it happens a lot.

19 **CHAIRMAN BROWN:** So that wasn't included in  
20 the revenues requested.

21 **MR. SMALLRIDGE:** Correct.

22 **CHAIRMAN BROWN:** Okay. So --

23 **MR. SMALLRIDGE:** Because --

24 **CHAIRMAN BROWN:** Go ahead.

25 **MR. SMALLRIDGE:** No. I just wanted to say I

1 didn't ask for any of that because DEP hasn't approved  
2 it yet. And if they don't approve them and they're  
3 permitted, it doesn't matter.

4 **CHAIRMAN BROWN:** So then the DEP permit is not  
5 in that \$4,100?

6 **MR. SMALLRIDGE:** It is --

7 **CHAIRMAN BROWN:** It is.

8 **MR. SMALLRIDGE:** It is preparing the permit.  
9 The utility still has to pay the filing fee separately.

10 **CHAIRMAN BROWN:** Got it.

11 **MR. SMALLRIDGE:** But preparing the permit and  
12 getting it ready for me to submit it to DEP is in that  
13 cost, yes, ma'am.

14 **CHAIRMAN BROWN:** And when you've had these  
15 annual meetings -- have you had one or two? You bought  
16 this company in 2014?

17 **MR. SMALLRIDGE:** I've had two, yes.

18 **CHAIRMAN BROWN:** Two. Okay. And you plan on  
19 having annual meetings for this system?

20 **MR. SMALLRIDGE:** Yes, ma'am, every year.

21 **CHAIRMAN BROWN:** Okay. Yeah. It's included  
22 in the revenue requested, so I wanted to make sure that  
23 you plan on continuing that because it looks like the  
24 calcification issue is a bigger issue.

25 **MR. SMALLRIDGE:** It is to the customers,

1 particularly in that area more so than in other areas.  
2 It's kind of why I'm really wanting to address it more  
3 sooner than later is because when the calcium gets --  
4 when I first took over the system, there was a lot of  
5 low pressure complaints. And what we found out was the  
6 calcium was in the meters and it was not allowing the  
7 water to come into people's homes.

8           It just so happens that a lot of the homes out  
9 there are mobile homes, and they have quarter-inch water  
10 lines coming into their homes. So that calcium gets in  
11 there and it causes more so effect on them once it gets  
12 past the meter than it does particularly to the meter  
13 itself. So it's something that starts at the water  
14 plant and it goes all the way. And part of the issue is  
15 nobody -- no owners in the past ever addressed it, so it  
16 built up over all those years. And now I come in trying  
17 to address it, and, you know, it's just something that's  
18 just going to take some time and some effort to put  
19 into.

20           **CHAIRMAN BROWN:** And staff does believe that  
21 you are attempting to address the quality of service  
22 issue. I'm not sure that the quality of the product is  
23 actually satisfactory, but you are definitely making  
24 strides. From the site visits, they've seen  
25 improvements from the previous owner, I guess, who we --

1 who did not get a certificate from the Commission.

2 **MR. SMALLRIDGE:** Correct, correct.

3 **CHAIRMAN BROWN:** Who was operating without any  
4 regulatory oversight. Interesting.

5 **MR. SMALLRIDGE:** Yes.

6 **CHAIRMAN BROWN:** Okay. So that was really --  
7 the big issue I had was that big chunk of money because  
8 it is, it is also -- it's actually the amount of the  
9 difference between the operating ratio methodology and  
10 what -- under the traditional rate base. And I have  
11 some concerns about using the operation -- operating  
12 ratio methodology here just because it's only a 4,000  
13 difference from traditional, from traditional ratemaking  
14 that that contract, since he did not get any other bids,  
15 actually serves the exact amount of the difference  
16 between the two.

17 I don't even -- I don't think the operating  
18 ratio methodology is very -- is appropriate here, quite  
19 frankly, based on all of the increases that staff has  
20 given.

21 But the, the last issues that I have are the  
22 miscellaneous charges. They're completely different  
23 than what we just approved in Charlie Creek. Charlie  
24 Creek, and it's Issue 12, and I understand that this is  
25 a very remote location, but looking -- it starts on page

1 31 and then goes on to 35. For a normal reconnection  
2 for Charlie Creek, again, a sister utility we just  
3 approved last month, it was \$45 during normal hours,  
4 75 during after. Here we've got \$140 -- \$104.77 for  
5 normal and 110 for after hours. And that same thing  
6 goes throughout everything. Violation reconnection, we  
7 approved \$50 last month. It's 104 here. Again,  
8 premises visit charge, it seems to be somewhat on par.  
9 We approved 55, and here it's 56. But after hours is  
10 60, and we approved a higher amount in the last case.

11 And finally, the late payment charge, it uses  
12 an administrative cost of -- it should be using the same  
13 admin cost that we -- that staff is looking at in all of  
14 these calculations, which is \$4.50. Here staff is  
15 recommending 4.75. That doesn't make any sense since  
16 I'm pretty sure the labor involved in a reconnection or  
17 a premises visit or a normal reconnection would actually  
18 probably be more than a late payment processing. So I  
19 don't agree with staff's recommendation on that 4.75 on  
20 Issue 13. Again, it was also not consistent with our  
21 last recommendation.

22 I just wanted to bring all those comments to  
23 light here. I really looked into some of these issues.  
24 It seems to be really excessive, these miscellaneous  
25 charges. And I guess I'd like staff to just kind of

1 walk us through why these are reasonable and why these  
2 are prudent since they're almost twice the amount that  
3 we just approved.

4 **MS. FRIEDRICH:** Sure. Is it okay if we start  
5 off with late payment?

6 **CHAIRMAN BROWN:** Sure.

7 **MS. FRIEDRICH:** Okay. For the late payment  
8 charge, the 4.75 -- the labor involved in -- the  
9 administrative labor involved in processing a late  
10 payment as to a miscellaneous service is the same  
11 general administrative labor. And Mike Smallridge is  
12 here, if you want to chime in at any time. The labor  
13 involved you would know more than I do. But there is  
14 substantially -- a substantial amount more. There's  
15 552 late payments that were processed during the late --  
16 test year; whereas, the miscellaneous service charges  
17 are ranging between 30 and 40 occurrences. So there's  
18 definitely more labor and more time spent processing  
19 late payments compared to the miscellaneous service  
20 charges.

21 In his cost justification, the utility  
22 explained that out of the 4.75, 2.25 of that was the  
23 office personnel time to search through the accounts and  
24 determine delinquent accounts, and then the other 2.50  
25 was to prepare, print, and sort delinquent notices for

1 mailing. And typically Commission practice, most of our  
2 late payments charges that are approved are between  
3 \$5 and \$7. So after I saw his cause justification, I  
4 felt that it was more on the lower end and I thought it  
5 was appropriate.

6 **CHAIRMAN BROWN:** That is a much better  
7 explanation than in my briefing.

8 **MS. FRIEDRICH:** I know. I thought about it  
9 all last night after you asked me yesterday.

10 **CHAIRMAN BROWN:** I would not have even brought  
11 it up.

12 (Laughter.)

13 And how about the other charges which are  
14 substantially higher than the sister utility that we  
15 just approved? I understand that this is a somewhat  
16 remote location, but the utility also has a consultant  
17 in Bartow. And so did you do it from Bartow or did you  
18 do it from the home office, which is on the west coast?

19 **MS. FRIEDRICH:** We did do it from Bartow.  
20 That's -- the 80 miles that you're seeing in the cost  
21 justification breakdown on -- throughout Issue 12 is to  
22 and from. So it's the round trip that the field  
23 employee has to travel from his home to the service  
24 area. Again, Wauchula is a very isolated area, you  
25 know, as I described yesterday, so that's why the



1 charges are higher than we typically see in his sister  
2 utilities just because this is such an isolated area.  
3 Everything else that we used to calculate the  
4 miscellaneous service charges, the hourly salaries and  
5 the time allotment, are consistent with his other  
6 utilities. The only difference here is the  
7 transportation.

8 **CHAIRMAN BROWN:** Thank you. I appreciate that  
9 and wanted to have the dialogue here just so that the  
10 utility owner is aware that, you know, I was concerned  
11 with those. But I appreciate the discussion here.

12 Mr. Smallridge.

13 **MR. SMALLRIDGE:** Just one quick thing that I  
14 wanted to mention. The numbers that the utility  
15 submitted to staff for this rate case, for the Charlie  
16 Creek rate case, were the numbers that were approved in  
17 the last -- because in the East Marion docket, the  
18 Commission granted raises for everybody except me. So  
19 those staff numbers, those accurate salaries from the  
20 last docket were carried forward in this one. That's  
21 why there's a little bit more increase.

22 **CHAIRMAN BROWN:** Okay. So getting back to the  
23 engineering, Mr. Smallridge, will there be any  
24 additional expenses to that \$4,100 amount to correct the  
25 calcification? I just want a clear kind of answer here.

1 Are we going to see any additional costs?

2 **MR. SMALLRIDGE:** Are you -- in your question,  
3 are you talking about from the engineer themselves or  
4 any costs?

5 **CHAIRMAN BROWN:** Just to fix it, just to fix  
6 the calcification problem. I think you said, "yes," but  
7 I just wanted to --

8 **MR. SMALLRIDGE:** Well, I'm going to have to  
9 buy a pump and whatever the monthly cost of having the  
10 chemical brought in is. But we don't know that until  
11 the DEP approves it.

12 The only thing that I can think of is that if  
13 DEP rejects the permit or wants some kind of permit  
14 modification or wants to see some other kind of numbers  
15 or something that an engineer may have to bring up. I  
16 don't think that's going to happen, but there's no way  
17 for me to tell you what DEP is going to do or not going  
18 to do in a permitting process.

19 **CHAIRMAN BROWN:** Okay. Thanks.

20 Commissioners, any questions or comments on  
21 any items? Everyone looks like they're ready to vote.

22 Commissioner Polmann.

23 **COMMISSIONER POLMANN:** Just one clarification.

24 **CHAIRMAN BROWN:** I didn't do it.

25 **COMMISSIONER POLMANN:** I'll figure this out

1           sometime this year.

2                       Just one clarification on the calcification.  
3           The consultant at this point has identified an issue,  
4           correct me if I'm wrong, identified the issue and some  
5           analysis and submitted a permit application. Does  
6           that -- has that included some design work on a -- you  
7           mentioned a pump, some other injection system and so  
8           forth. Is that close enough? Is that correct?

9                       **MR. SMALLRIDGE:** No, sir. The engineer hasn't  
10          done anything. This is a secondary water quality  
11          standard issue, so I'm not comfortable going forward and  
12          spending any customer money until, number one, the  
13          Commission approves it. Because you guys could say,  
14          "No, we don't think this is a good water -- we don't  
15          think this is a good enough project," and deny it. So I  
16          haven't sent, I haven't sent an engineer a single penny.

17                      **COMMISSIONER POLMANN:** Okay.

18                      **MR. SMALLRIDGE:** But the problem is a pretty  
19          common problem around the state --

20                      **COMMISSIONER POLMANN:** I understand.

21                      **MR. SMALLRIDGE:** -- so the, you know, the fix  
22          is pretty common.

23                      **COMMISSIONER POLMANN:** So we're -- in this  
24          docket, we're asking -- you're asking for the funding --

25                      **MR. SMALLRIDGE:** Yes, sir, basically.

1           **COMMISSIONER POLMANN:** -- for, for this work  
2 to move forward. But the anticipated activity would be  
3 to submit a permit application to DEP.

4           **MR. SMALLRIDGE:** Yes, sir.

5           **COMMISSIONER POLMANN:** With an expectation  
6 that the follow-on action, if approved by DEP, would be  
7 an adjustment to the pH.

8           **MR. SMALLRIDGE:** Correct.

9           **COMMISSIONER POLMANN:** Through a pump and  
10 injection system, which would -- the consequence of  
11 which would be to keep the calcium in solution.

12          **MR. SMALLRIDGE:** Yes, sir.

13          **COMMISSIONER POLMANN:** And, in fact, the pH  
14 would be adjusted low enough to dissolve calcium  
15 carbonate deposits out of the pipe.

16          **MR. SMALLRIDGE:** Yes, sir.

17          **COMMISSIONER POLMANN:** It would take some  
18 period of time because that's a slow process, but the  
19 improvement at the customer connection and at the meter  
20 would be an effect to remove those deposits and improve  
21 the pressure that the customer seeks. That's the  
22 intent.

23          **MR. SMALLRIDGE:** Yes, sir.

24          **COMMISSIONER POLMANN:** So then the question, I  
25 believe, for, for the Commission is what, what is the

1 nature of the subsequent additional costs beyond the  
2 engineering consultant that you have identified? Could  
3 you just give us a category? You mentioned pumping  
4 equipment, injection equipment. What are the categories  
5 of cost and when would we see those? What is the time  
6 frame and the nature, without numbers? Just -- I'm  
7 trying to get a feeling for what is the process. And  
8 either you could respond or maybe staff could elaborate  
9 for us so we have an idea of when that would occur and  
10 how.

11 **MR. SMALLRIDGE:** Well, I'm going to answer  
12 your question in this way: And the way I'm going to  
13 answer your question is this is what the engineer told  
14 me the steps were, the timeline.

15 **COMMISSIONER POLMANN:** I understand. Sure.

16 **MR. SMALLRIDGE:** So I'm translating. What the  
17 engineer envisions is that if we can get approval from  
18 the Commission to go forward, we would start the  
19 application process with DEP. And once an application  
20 is prepared, we're going to submit to DEP that we have a  
21 calcification problem and we want to address it in the  
22 manner of chemical injection to change the pH. That  
23 would involve buying a chlorine pump or, you know,  
24 chemical pump. They're about 6-, 700 bucks. An  
25 injection point, which my staff and I can do, it's a

1 very minimal cost. You know, it's probably less than  
2 \$100 to do that. And then whatever vendor we find to  
3 deliver the chemical, whatever their cost is.

4           Within the DEP permit, the engineer will  
5 submit flow rates, what they think is the appropriate  
6 amount of chemical injection. And so that will  
7 determine, assuming DEP approves it, that will determine  
8 the amount of chemical we need each month. We don't  
9 really know that right now until DEP approves it.

10           But keep in mind another thing that I think is  
11 a lot bigger cost is that when I first went into the  
12 utility, as I mentioned before, the low pressure  
13 problems were caused by the meters being clogged up and  
14 hadn't been changed in years. As you will notice in the  
15 staff report, we've changed almost 100 meters out there.  
16 So I think part of the thought process should be let's  
17 get this calcium issue under control so we don't have  
18 premature failure of meters. Because if we didn't do  
19 anything, you know, in a couple of years the meters  
20 would be clogged all back up and we'd have to change  
21 them back out. Meters are getting expensive.

22           So I want to do this for -- to correct the  
23 problem, but also keep the customers' investment in the  
24 meter, you know, up to par. So that, to me, is part of  
25 the cost part in there because premature failure of a

1 meter times, you know, 100, 150 meters is a lot of  
2 money.

3 But the -- I'm sorry. I didn't mean to get  
4 off track. But to further answer your question, once  
5 DEP approves the permit, then I would go buy a chlorine  
6 pump, we would get with a vendor, provide the flows, and  
7 then, you know, start injection.

8 The only other thing Commissioner Brown asked  
9 before that I don't know and that just hit my head was I  
10 think, but I'm not 100 percent sure, that there are some  
11 customer notices, public notices that we have to put out  
12 as part of the permit. There may be a little cost  
13 involved in that, but not a lot.

14 So the remaining costs are not so big that we  
15 can't handle it internally and do it. The biggest cost  
16 is the engineering fees. Did that answer your question,  
17 sir?

18 **COMMISSIONER POLMANN:** Well, I -- your last  
19 comment, I think, if I understand it, is that there --  
20 you won't be returning for additional cost recovery.

21 **CHAIRMAN BROWN:** Uh-huh.

22 **COMMISSIONER POLMANN:** I think you've  
23 indicated there will be a labor effort and so forth that  
24 you will take on. The operating expense will be the  
25 chemical injection, there will be the cost of a pump and

1 so forth. What I'm trying to discern is if you will be  
2 returning for cost recovery of additional components.  
3 I'm just trying to get a general picture.

4 **MR. SMALLRIDGE:** Probably not, probably not in  
5 a SARC. It may be something that we do at the next rate  
6 filing.

7 **COMMISSIONER POLMANN:** Okay.

8 **CHAIRMAN BROWN:** Thank you.

9 **COMMISSIONER POLMANN:** That's all. Thank you  
10 very much.

11 **CHAIRMAN BROWN:** Thank you. And I appreciate  
12 Commissioner Polmann's questions because that's kind of  
13 what I was trying to get at too.

14 All right. I have no other lights on, so we  
15 are ripe for a motion at this time, Commissioners. And  
16 there's -- remember, there's an oral modification as  
17 well. There are 19 issues.

18 Commissioner Graham.

19 **COMMISSIONER GRAHAM:** Yes. I will move staff  
20 recommendation on all 19 issues, including the oral  
21 modification.

22 **CHAIRMAN BROWN:** Thank you. Is there a  
23 second?

24 **COMMISSIONER BRISÉ:** Second.

25 **CHAIRMAN BROWN:** Any discussion? I just would



1 like to note that I'm going to be supporting the motion  
2 but dissenting on Issue 7 because I do not believe that  
3 the operating ratio methodology is appropriate in this  
4 particular instance.

5 So with that, all those in favor, please say  
6 aye. Aye.

7 (Vote taken.)

8 And I dissent on 7.

9 Thank you. This concludes the case.

10 (Agenda item concluded.)

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

4 I, LINDA BOLES, CRR, RPR, Official Commission  
 5 Reporter, do hereby certify that the foregoing  
 6 proceeding was heard at the time and place herein  
 7 stated.

8 IT IS FURTHER CERTIFIED that I  
 9 stenographically reported the said proceedings; that the  
 10 same has been transcribed under my direct supervision;  
 11 and that this transcript constitutes a true  
 12 transcription of my notes of said proceedings.

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

18 DATED THIS 12th day of April, 2017.

19 *Linda Boles*

20 \_\_\_\_\_  
 21 LINDA BOLES, CRR, RPR  
 22 Official FPSC Hearings Reporter  
 23 Office of Commission Clerk  
 24 (850) 413-6734  
 25

# USING THIS SURVEY

Parties/Staff Handout  
Internal Affairs/Agenda  
on 4 / 4 / 17  
Item No. 7

## Definitions

Below is a list of definitions that were used in organizing survey data. The example and definitions on the following pages illustrate how to read and interpret the survey results.

### A1 *Number of Utilities*

Represents the total number of utilities providing survey data for the specific job. In this example, 365 facilities provided data for the Wastewater Treatment Plant Manager job.

### A2 *Number of Employees*

Represents the total number of employees reported occupying the job. In this example, the total is 393. This number may be higher than the Number of Utilities when facilities report multiple incumbents for the job. This number will be lower than the Number of Utilities when facilities have vacant jobs, but still reported salary range information.

### A3 *Average Number of Employees Supervised*

For jobs with supervisory responsibilities, this number represents the average number of employees supervised. In this example, of those who reported supervisory responsibilities, the average number of employees supervised is 16.

### A4 *50th Percentile*

Statistically, this represents the pay rate at which half of incumbents fall below and half are above, also known as the median. The 50th Percentile for Board Operated facilities, in the sample, is \$55,213.

### A5 *Company Weighted Average Pay*

Represents the sum of all average rates reported for each facility divided by the number of facilities. The average salary for Board Operated facilities, in the sample, is \$56,888.

### A6 *Employee Weighted Average Pay*

This figure is the sum of rates for all employees within all facilities divided by the number of employees. Use of the weighted average gives more weight to data from a facility that employs several people in a particular job, as compared to data from a facility that employs only one or two people in the job. The example shows \$56,614 as the Employee Weighted Average Pay for Board Operated facilities.

### A7 *Average Salary Range—Minimum*

This is the lowest value in an established salary range. This typically represents the start rate an organization uses when filling a vacancy with a candidate who satisfies the minimum education requirements and has no relevant experience. The example shows \$44,053 as the average salary range minimum for City/County facilities.

### A8 *Average Salary Range—Midpoint*

This rate is halfway between the minimum and maximum of an established pay range. Generally, this is considered to be the competitive market rate for a position assigned to this range. The example shows \$52,221 as the average salary range midpoint for City /County facilities.

### A9 *Average Salary Range—Maximum*

This is the highest rate of the established salary range, representing the highest salary at which an employee in the job could expect to be paid. The example shows \$61,075 as the average salary range maximum for City/County facilities.

### A10 *Insufficient Data*

Where there are fewer than five responses provided for a breakout of data, an asterisk (\*) will be printed to maintain individual participant confidentiality.