

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20160222-WS

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN HIGHLANDS COUNTY BY
LP WATERWORKS, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 2

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

DATE: Thursday, August 3, 2017

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

REPORTED BY: Andrea Komaridis
Court Reporter

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

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

2 CHAIRMAN BROWN: So, we're circling back to
3 Item 2. Good morning, Mr. Richards.

4 MR. RICHARDS: Good morning, Madam Chair,
5 Commissioners. My name is Chris Richards with
6 Commission staff.

7 Item No. 2 is the application for a staff-
8 assisted rate case in Highlands County by LP
9 Waterworks. The utility is a Class C utility that
10 serves approximately 444 water customers and 389
11 wastewater customers. A customer meeting was held
12 in April of this year where 51 customers were in
13 attendance, 19 of which spoke.

14 Staff has made an oral modification, which was
15 submitted to your office this week. Commissioners,
16 Mr. Rendell is here on behalf of the utility. And
17 Ms. Christensen and Ms. Vandiver is here on behalf
18 of the Office of Public Counsel and would like to
19 address the Commission.

20 At this time, staff is prepared to answer any
21 questions.

22 CHAIRMAN BROWN: Thank you.

23 Well, we'll go to the utility. Would you like
24 to present first or have Public Counsel present?

25 MR. RENDELL: Troy Rendell on behalf of LP

1 Waterworks. I'm actually here to answer questions
2 and support staff's recommendation.

3 CHAIRMAN BROWN: Thank you.

4 All right. Well, Ms. Christensen.

5 MS. CHRISTENSEN: Thank you. Good morning.
6 Patti Christensen with the Office of Public
7 Counsel. With me, Denise Vandiver. And
8 Ms. Vandiver has a few issues she would like to
9 address. So, I'm going to toss the mic to her.

10 MS. VANDIVER: Good morning, Commissioners.

11 CHAIRMAN BROWN: Good morning.

12 MS. VANDIVER: I would like to discuss two
13 issues in the staff recommendation. The first is
14 Issue 1, quality of service; and the second is
15 Issue 10, miscellaneous service charges.

16 My comments on the quality of service concern
17 the customer-service portion of the issue. On
18 Page 4 of the staff recommendation, staff states
19 that the majority of the 19 speakers at the
20 customer meeting spoke about improper billing by
21 the utility; however, these comments were not
22 addressed in the staff recommendation, nor is there
23 any mention in the recommendation of improper
24 billing practices.

25 In addition, the utility submitted a flash

1 drive to the Commission that purported to be all
2 service complaints received by the utility during
3 the test year and the four years prior to the test
4 year with an explanation of how each complaint was
5 resolved; however, the information submitted was
6 incomplete, as the explanation section for each of
7 the of the complaint was cut off in the middle of
8 the explanation on the spreadsheet. Thus, there
9 was incomplete information provided to staff.

10 But based on the limited information, we were
11 able to determine there was a total of 503 customer
12 contacts for the period 2013 through 2016. But for
13 today's agenda, I reviewed the 307 contacts for
14 2015 and '16.

15 Many of these comments echoed concerns that
16 were expressed at the customer meeting regarding
17 billing problems caused by the utility. My summary
18 of those found that 36 people stated that they did
19 not receive a bill in the two years. In add- --
20 well, not for the whole two years, but 36 people
21 during those two years.

22 In addition, many of the complaints took an
23 inordinate amount of time to resolve. Our review
24 found that 20 customers experienced at least three
25 weeks before they received a resolution.

1 One complaint, apparently, was open for about
2 23 months before it appeared to be resolved. Two
3 customers did not receive a refund for four months
4 or more. And two customers submitted a request to
5 have their meters moved and were still request- --
6 still waiting for a response 30 days later.

7 Based upon the number of complaints received
8 and how they are being handled by the utility, OPC
9 does not believe that the utility is providing
10 sufficient quality of customer service.

11 The utility wants to receive fair and
12 reasonable rates for its water service, and the
13 customers expect in return to receive adequate and
14 reliable water and customer service. This does not
15 appear to be the case here.

16 The information provided by the utility
17 indicates a customer billing and complaint function
18 is contracted out to a third party.
19 Notwithstanding, it is the utility's responsibility
20 to provide satisfactory customer service.

21 And based on the comments received during the
22 customer meeting and on the comments received in
23 the flash drive, it is our position that the
24 Commission should order the utility to investigate
25 the customer-service aspect of its services and

1 develop better monitoring of its service provider.

2 The utility should be required to set
3 standards and reporting requirements so that it can
4 review on a monthly or quarterly basis the results
5 of all customer contacts.

6 At a minimum, the service provider should
7 submit monthly reports of all complaints that are
8 not resolved within three weeks. The bottom line
9 is that, if the customers are being asked to pay
10 higher rates, they have a statutory right to
11 receive satisfactory water and customer service.

12 On Page 27 of the staff recommendation, you'll
13 find two charts that show the calculation for the
14 initial connection charge and the normal
15 reconnection charge. The description of the normal
16 reconnection charge states that the function
17 requires two trips; one to turn service on, and the
18 other to turn service off.

19 Notwithstanding this statement, we do not
20 believe that there is an actual difference between
21 the services being rendered for an initial
22 connection and a normal reconnection. Therefore,
23 we do not agree these two charges should be
24 different.

25 If a customer requests service, it only takes

1 one trip to turn that service on, no matter whether
2 the trip is for an initial connection or a
3 reconnection. Any future or past disconnections by
4 others should not be included in this charge.

5 The definition for the initial connection
6 charge on Page 26 states that it is for service
7 initiation at a location where service did not
8 exist previously.

9 The definition for the normal reconnection
10 charge on Page 27 states that it is for the
11 transfer of service to a new customer account at a
12 previously-served location or reconnection of
13 service subsequent to a customer-requested
14 disconnection.

15 The definition further states that it requires
16 two trips; one to turn service on, and the other to
17 turn service off. However, we do not believe it is
18 appropriate to require a new customer to pay for
19 the disconnection of the former customer's service.
20 If the charge is meant to capture the new
21 customer's future disconnection, why is that any
22 different than the initial connection charge?

23 We believe that the connection charges for new
24 customers should be all the same. However, if the
25 Commission was to have a special charge for

1 temporary disconnects, which would include both
2 trips, it should be clear, and the name of the
3 charge should be separate from any charges for new
4 customers, whether at a new service address or
5 moving into an existing address.

6 In summary, OPC respectfully requests the
7 Commission address these three -- these two issues
8 before making its final decisions on the issues in
9 this docket. We ask the Commission to order LP
10 Waterworks to investigate the customer-service
11 aspects of its services and develop improved
12 monitoring of its service provider.

13 Secondly, we ask that the adjustments for --
14 the Commission approve an initial connection charge
15 and a normal reconnection charge that are the same
16 amount.

17 Thank you.

18 CHAIRMAN BROWN: Thank you. And thank you for
19 bringing those issues to light here.

20 Utility. Mr. Rendell, would you like to
21 respond?

22 MR. RENDELL: Yes, ma'am. The first issue on
23 the quality of service -- this is something I just
24 heard about. I haven't heard any concerns from OPC
25 previously, but I did provide a response to the

1 customer meeting back in April that basically
2 addressed each one of the customers' billing
3 concerns thoroughly. I've provided documentation
4 on their past history; what was done on each one of
5 the complaints.

6 We also pointed out in that letter that we've
7 only received four water-quality complaints since
8 the ownership. We had one in 2013, '14, '15, and
9 '16. So, over those four years, we've only had
10 four water-quality concerns.

11 We were surprised at the water-quality
12 concerns brought up at the customer meeting. We've
13 gone back and looked at them. One of them was
14 caused by -- the water tank began leaking, I think,
15 two days prior to the customer meeting. We had to
16 take that offline.

17 We are in the process of replacing that water
18 tank. We will have to come back in for a limited
19 proceeding on that, but that -- unfortunately, the
20 timing of that was two days before. So, we believe
21 that that caused a lot of the water-quality
22 concerns.

23 As far as the miscellaneous service charges,
24 those are spelled out by Commission rule. They're
25 defined by Commission rule. I discussed that with

1 Ms. Vandiver prior to the agenda. The initial
2 connection is for a new customer who has not had
3 service before.

4 I think the wording may be a little incorrect
5 in the staff recommendation because reconnection is
6 for someone that had service and they're getting
7 reconnected; so, either a snowbird or someone that
8 disconnects for a period of time and comes back.
9 That does involve two trips to do so.

10 So, I think that's pretty well-defined by
11 Commission rule.

12 CHAIRMAN BROWN: Thank you, Mr. Rendell.

13 Going to turn to staff on the -- the latter
14 issue first to address the rule on reconnection --
15 pardon me -- the initial connection, normal
16 reconnection.

17 MS. FRIEDRICH: Sure. Staff has always
18 interpreted the rule like this as in the charts,
19 you know, as far as the one trip and two trip in
20 the normal reconnection. Ever since I've been here
21 the past year, and I've made miscellaneous service
22 charges, we've always based on the same -- the same
23 characteristics. So, this is nothing different
24 than previous cases.

25 CHAIRMAN BROWN: Commissioners, any questions

1 on that mis- -- miscellaneous-charge explanation?

2 Commissioner Polmann?

3 COMMISSIONER POLMANN: Thank you, Madam
4 Chairman.

5 On the -- on the charges, question to staff,
6 just to clarify. If I understand your -- your
7 comment, Ms. Friedrich, are the charges similar to
8 and consistent with Commission actions, prior
9 actions that have been taken on other SARCs?

10 MS. FRIEDRICH: Correct.

11 COMMISSIONER POLMANN: Okay. Now, to the
12 point made in remarks by the utility, can you
13 elaborate on whether we believe the language is
14 correct or incorrect? Is there a need for
15 clarification in the staff recommendation on that?
16 Do we understand the comments made here earlier?

17 MR. SHAFER: Commissioner, I think the
18 utility's interpretation is correct. If it's an
19 existing customer that initiated both the
20 disconnect and the reconnect, whether they're a
21 snowbird or it was a non-payment issue or what have
22 you, two trips are justified.

23 If it's a new customer at a location that
24 already has service, I don't believe the utility
25 has been charging a two-trip charge. And I think

1 that's the appropriate language that -- I think the
2 language in the recommendation is probably not
3 correct, as it relates to reconnect- --
4 reconnection for an existing customer.

5 COMMISSIONER POLMANN: Okay. So --

6 MR. SHAFER: I'm sorry -- for a new customer.

7 COMMISSIONER POLMANN: The language may
8 not -- I'm sorry.

9 MR. SHAFER: It's incorrect as it relates to
10 connecting a new customer. I misspoke.

11 COMMISSIONER POLMANN: Okay. Can you please
12 clarify whether Table 10-1 or 10-2 should be
13 modified? Or are the tables correct?

14 MR. SHAFER: I believe the tables are correct.
15 It's a matter of definition and under what
16 circumstances does the charge apply. And I agree
17 with Mr. Rendell that, if it is a new customer at
18 an existing address, they're charging the one-trip
19 charge. And if it is a customer that has
20 disconnected and then reconnected, for whatever
21 reason, there would be two trips involved. And
22 they would charge that charge.

23 COMMISSIONER POLMANN: Okay. Thank you.

24 Madam -- Madam Chairman, I will take this
25 conversation to satisfy the concern, and believe

1 that staff and the utility and -- and recognizing
2 OPC's concern that -- that this issue will be
3 addressed going forward in terms of the tariff
4 sheets or whatever -- whatever the appropriate step
5 is, and that there will be agreement with regard to
6 these tables and charges. I'm satisfied with the
7 response.

8 Thank you.

9 CHAIRMAN BROWN: Thank you, Commissioner
10 Polmann.

11 Utility?

12 MR. RENDELL: I think the easiest way is, on
13 Page 27, the first sentence after the paragraph
14 that's titled "normal reconnection charge" -- if
15 you just strike "new customer account at a
16 previously-served location" and then the word "or,"
17 that should take care of it.

18 CHAIRMAN BROWN: Office of Public Counsel?

19 MS. VANDIVER: I think that works. I'm still
20 not sure about the transfer of service. I think
21 it -- if you took the -- it just said, a normal
22 reconnection charge is levied for reconnection of
23 service subsequent to a customer.

24 MR. RENDELL: That's -- that's correct.

25 CHAIRMAN BROWN: That's fine.

1 MS. VANDIVER: That would be fine with us.
2 Thank you.

3 CHAIRMAN BROWN: Thank you. We're squared
4 away on that issue.

5 Getting back to issue on the quality of
6 service. And I'm -- I'm happy that the utility --
7 I mean, pardon me -- Office of Public Counsel
8 brought it up. It was a question for me, too. It
9 seemed that there is a billing issue for customers.
10 I guess, staff, what has the utility done
11 since the last rate case to address the problems
12 that keep reoccurring with the billing?

13 MS. FRIEDRICH: I'm sorry.

14 CHAIRMAN BROWN: If anything.

15 MS. FRIEDRICH: Could you repeat that
16 question?

17 CHAIRMAN BROWN: It seems that there is, in
18 fact, a billing problem that is occurring with this
19 utility. I want -- would like to know what the
20 utility has done since the last rate case to
21 address the issues that the customers raised; not
22 only during the customer meeting, but also with the
23 Commission's consumer activity tracking system.

24 MS. FRIEDRICH: Staff didn't find any specific
25 billing issues that were major that carried over

1 that were repetitive. There was a few instances
2 that were brought up at the customer meeting.

3 And I asked Mr. Rendell through a data request
4 about the billing issues. And he responded saying
5 he has reached out to the customer and provided
6 proof of e-mail correspondence with the customer.

7 CHAIRMAN BROWN: My understanding, though,
8 based on Public Counsel's comments earlier, they
9 reviewed 307 customer comments over a period of
10 time. And I -- I don't know if I misinterpreted
11 that, if -- whether all of those comments were
12 related to billing?

13 MS. VANDIVER: Oh, no. I'm sorry. I didn't
14 mean to mislead you. That was the total number of
15 calls into the call center. And a lot of those
16 could be anything from wanting to pay the bill to
17 changing their address. So, the actual amount
18 of -- there were, I believe --

19 CHAIRMAN BROWN: 12 formal complaints?

20 MS. VANDIVER: Something like that, yes.

21 CHAIRMAN BROWN: Okay. Mr. Rendell, can you
22 address some of the billing issues that have --
23 have occurred? It seems that that is the focus of
24 the customers for this system. What -- what do you
25 think is going on here?

1 MR. RENDELL: Well, we -- we are concerned.
2 And we're concerned about zero bills and back
3 billing. That's one of the things we take
4 exception to.

5 After the customer meeting, we did send out a
6 team to review the meters, to take -- at the
7 request of the staff, we also took pictures of the
8 meters so that -- show that they can -- you know,
9 they can read them.

10 We found no abnormalities after the customer
11 meeting by sending out the -- the staff. But we
12 will continue to look at it. One of our other
13 affiliated utilities -- we sent teams out the last
14 two weekends to look at zero reads and replace
15 meters where necessary. This is a very seasonal RV
16 park. Half the year, there's no one there. So,
17 they're going to get zero bills because there's no
18 usage.

19 But we did -- getting back to OPC's concerns,
20 we -- we were -- the data that was downloaded was
21 every single call that comes in, whether, you know,
22 a change in address, what's my balance, can I make
23 a payment. And then we try to take those and
24 narrow it down to just quality of service or
25 billing issues.

1 Like I said, I did address the -- the customer
2 meeting, all the -- all the billing concerns. We
3 will continue to monitor it. We will -- I'll go
4 back and, you know, come up with a plan to go back
5 and reassess it.

6 But you know, that is one of our big concerns.
7 We don't want back billing and then large
8 surprises. When we do so, we do -- we do follow
9 the Commission rules. We offer payment plans. We
10 actually make adjustments to the consumption down
11 to the lowest tier, which is not required, but we
12 do that as a courtesy.

13 I do make adjustments if there's -- if there's
14 large amounts or if there's leaks, but you know, we
15 will continue to monitor it. And we'll -- we'll
16 make sure that -- that they get better in the
17 future.

18 CHAIRMAN BROWN: Thank you. That gives --
19 that does give me some comfort that you're looking
20 at it and will continue to look at it. I don't
21 think that the quality of service is unsatisfactory
22 by any means, but I appreciate you -- you looking
23 at it.

24 Commissioner Graham?

25 COMMISSIONER GRAHAM: Thank you, Madam Chair.

1 I agree with you, I had the same concerns when
2 OPC brought this up. And you said you're going to
3 look into it. You're going to come up with
4 different strategies.

5 The only question -- my only request is that
6 you stay in contact with OPC so at least you guys
7 still have that communication dialogue going back
8 and forth.

9 MR. RENDELL: Yes, sir.

10 COMMISSIONER GRAHAM: Thank you.

11 CHAIRMAN BROWN: All right. Thank you.

12 Commissioner Polmann?

13 COMMISSIONER POLMANN: Thank you, Madam
14 Chairman.

15 Question for Public Counsel. Ms. Vandiver,
16 you mentioned a number of issues. And I -- I think
17 I misunderstood -- and the Chairman, I think, in
18 her comments brought to light -- if you can,
19 restate succinctly the types of issues that you're
20 concerned about beyond the billing.

21 And I think we just addressed the billing
22 issue, but you -- you enumerated the -- the types.
23 You identified that the complaints you were looking
24 at came from the call center.

25 MS. VANDIVER: Right.

1 COMMISSIONER POLMANN: But beyond the billing.

2 MS. VANDIVER: Right. I think my main concern
3 beyond the billing was the fact that it took a long
4 time for them to resolve issues. There were a
5 couple of customers that didn't get their refund
6 for disconnection for over four months.

7 There was a lot of people that had a problem
8 and they didn't get a resolution for three weeks,
9 which seems, to me, to be a fairly long time. If
10 I'm complaining, I kind of want it resolved pretty
11 quickly.

12 There were a couple of people that asked for
13 their meters to be moved because they were either
14 pouring a driveway or something, and they had the
15 contractor ready to go and they wanted the meter
16 moved. And it was 30 days later; they still hadn't
17 heard from the company about when they were going
18 to do it.

19 So, things like that -- it just didn't seem
20 like they were on top of the responses sometimes.

21 COMMISSIONER POLMANN: So, a timeliness,
22 responsiveness --

23 MS. VANDIVER: Yes.

24 COMMISSIONER POLMANN: -- issue --

25 MS. VANDIVER: Yes.

1 COMMISSIONER POLMANN: -- you thought was
2 unreasonable in some regard.

3 MS. VANDIVER: Right. Right. I wouldn't call
4 it overwhelming, but I would call it enough that
5 it -- it would get concerns. That's a lot.

6 COMMISSIONER POLMANN: Okay.

7 MR. RENDELL: Commissioners, if I might, on
8 those two issues. It will take three or four
9 months to get a refund. The reason is you have to
10 do a final bill, which is usually a month after
11 they request the move-out. Then you have to wait
12 to see if they make the payment. Then after all
13 that, then you apply the deposit to the account.
14 And then whatever is remaining, you -- you refund
15 it. So, it will take three to four months to get a
16 refund when you move out.

17 As far as moving the meter, I've worked with
18 that customer. He had to pay for it because it was
19 a cost that he was causing. So, we had to wait for
20 him to get the estimate and to pay for the actual
21 moving of the meter because there was no reason to
22 move it, besides him pouring the driveway. So, I
23 actually worked with that customer.

24 COMMISSIONER POLMANN: Okay. Well, thank you
25 for the explanations. I appreciate the additional

1 information.

2 CHAIRMAN BROWN: Thank you.

3 Commissioners, any questions on any issues? I
4 do -- I've got just a few questions on Issue 6,
5 just for clarification. Staff wasn't able to
6 clearly answer some of these, but -- so, I wanted
7 it from Mr. Rendell.

8 Gary Deremer is -- just an understanding of
9 the U.S. Water relationship with the utility -- he
10 is an officer and director of the utility here.

11 MR. RENDELL: Correct.

12 CHAIRMAN BROWN: Is he an employee of the
13 utility?

14 MR. RENDELL: No, he's an officer and CEO of
15 the utility.

16 CHAIRMAN BROWN: And that's just the one. So,
17 he gets -- in this, he's the only officer and
18 director getting a -- a fee here.

19 MR. RENDELL: Correct.

20 CHAIRMAN BROWN: And then for U.S. Water --
21 he's also an owner of U.S. Water.

22 MR. RENDELL: He's the majority shareholder
23 and the CEO of U.S. Water.

24 CHAIRMAN BROWN: Is he also an employee of
25 U.S. Water?

1 MR. RENDELL: Well, an officer -- I guess
2 technically he's an employee.

3 CHAIRMAN BROWN: Does he do work?

4 MR. RENDELL: Yes.

5 CHAIRMAN BROWN: So, he does services for the
6 utility as an officer and director, but he also
7 does services as an owner-officer of U.S. Water.

8 MR. RENDELL: Correct, but there is nothing in
9 the contract for his work for operations and
10 maintenance. It's strictly operations,
11 maintenance, and customer service.

12 His work for the utilities is derived through
13 the salaries that he -- he commits to those
14 utilities.

15 CHAIRMAN BROWN: And I mean, I think it's
16 great that U.S. Water is -- is engaged with some of
17 these smaller utilities and helping them run more
18 efficiently.

19 One area, though, I was confused with was the
20 customer price index of the contract. Since this
21 utility has come in annually for price indexes --
22 every year they've been coming in for that -- why
23 would the contract with U.S. Water also be -- why
24 would you get a consumer price index just on the
25 contract in addition to the annual price indexes?

1 MR. RENDELL: The contracts -- all the
2 contracts are written that way, that they get a CPI
3 for the ex- -- the rate -- the increase and
4 expenses for U.S. Water. So, that would be what,
5 you know, the salaries or whatever operating
6 expenses for --

7 CHAIRMAN BROWN: Kind of seems like --

8 MR. RENDELL: -- U.S. Water.

9 CHAIRMAN BROWN: -- it's double -- it kind of
10 seems like it's getting double recovery for CPI.
11 The utility, itself, is getting the annual bump
12 and -- and then the U.S. Water gets the annual bump
13 and the CPI.

14 MR. RENDELL: The only time you would get it
15 is in a rate case. So, outside of a rate case,
16 you're not going to get that bump. I'm not really
17 sure if we've come in for an index and LP since --

18 CHAIRMAN BROWN: You have.

19 MR. RENDELL: Okay. So, the only time that
20 you would get that increase is in a rate case. So,
21 absent a rate case -- that's what the index is for
22 by the statute. To get that increase of the
23 contract, you would have to come in for a staff-
24 assisted rate case each year. So, that's the only
25 way to get that -- that increase.

1 CHAIRMAN BROWN: Again, staff -- I mean -- and
2 we -- we've been over this a lot with U.S. Water.
3 I just want to make sure -- Mr. Buys, I don't --
4 I'm sorry if I jumped in there.

5 MR. BUYS: I'm sorry. I just wanted to maybe
6 clarify the actual increase since the last rate
7 case on -- on the contracts. In the settlement
8 they had in the prior rate case, the water contract
9 was 77,000; and for the wastewater, it was 58,692.

10 Currently, in the recommendation, staff is
11 recommending an \$80,000 amount for the water and
12 roughly 61 for the wastewater. That equates to a
13 3.8-percent increase total from the last rate case
14 to this rate case.

15 CHAIRMAN BROWN: And -- and the year of the
16 last rate case was --

17 MR. BUYS: And the year of the last rate
18 case -- which was a settlement -- it was 77,184 --

19 CHAIRMAN BROWN: The year.

20 MR. BUYS: Oh, that would be 2013. So, it
21 would have been --

22 CHAIRMAN BROWN: -- '14.

23 MR. BUYS: -- August of '14.

24 CHAIRMAN BROWN: Yeah.

25 MR. BUYS: So, it's been roughly three years.

1 And it's increased by 3.8 percent.

2 CHAIRMAN BROWN: Right. So -- but I mean, we
3 ask this question every time we get a U.S. Water
4 contract. The cost, though, for U.S. Water
5 services -- are they comparable for a stand-alone,
6 which would probably -- for a co- -- a utility of
7 this size would have maybe two employees.

8 Are the services that they're getting for U.S.
9 Water comparable to that?

10 MR. BUYS: I think it would be a lot more --

11 CHAIRMAN BROWN: I do, too.

12 MR. BUYS: -- if they hired -- they would have
13 to have an operator, I would assume, and some
14 technical people and some office people and meter
15 readers. And it -- it would probably be a quite a
16 bit more. And the company can elaborate.

17 CHAIRMAN BROWN: No, I agree. I just wanted
18 that for the record.

19 On to the -- and then one more question on bad
20 debt. The last -- the last rate case was a
21 settlement. OPC did not bring it up in this
22 particular case, but they just went ahead with what
23 was approved in the settlement, which was
24 1 percent -- I mean, we haven't had any comments on
25 bad debt, but years 2014 and 2016 actually were

1 credits -- negative amounts of bad debt.

2 So, staff is recommending a 1-percent -- which
3 actually comes to about \$2100 in additional
4 revenue. And it's just one of those things than
5 jumped out at me since last rate -- the last rate
6 case, they were relying on -- agree -- it was a
7 negotiated amount of 1 percent.

8 This, though, is not. We're looking at this
9 with fresh eyes here. And these are -- they're
10 actual credits on bad debt. Again, it equates to
11 additional revenue. I just don't know the
12 justification.

13 MR. BUYS: If -- if you -- typically the
14 Commission has used a three-year average of prior
15 years. And we looked at the average. And it is
16 very close to what the 1 percent of bad-debt
17 expense -- the 1 percent of revenue for bad-debt
18 expense is.

19 So, it's in line with what the utility has
20 experienced over the past three years.

21 CHAIRMAN BROWN: It doesn't look like it,
22 but -- Mr. Cicchetti?

23 MR. CICCHETTI: Madam Chair -- and Mr. Rendell
24 can correct me if I'm wrong, but the utility will
25 sell its bad debts to a collector. And that's for

1 over a number of years. And in that year, they
2 will record a credit because that's what they get
3 for selling those bad debts. And so, it's really
4 not representative of what the bad-debt expense is
5 each year.

6 CHAIRMAN BROWN: That's a good explanation
7 right there.

8 Mr. Rendell, is that correct?

9 MR. RENDELL: We do turn them over to the
10 collection agent. The bad debt is based on
11 accrual. And it's based on accounts over 60
12 days -- a combination of accounts over 60 days and
13 what's been turned over to the collection agency as
14 bad debt.

15 If they collect on those and that bad debt
16 is -- is reduced and they keep -- I believe, 20 --
17 like, a quarter for every dollar collected, which
18 is, you know, worked out because, in the past,
19 there's been no collections. So, it is an out- --
20 it is outsourced, but it's a combination of the
21 two.

22 CHAIRMAN BROWN: Public Counsel, any comments
23 on this?

24 MS. VANDIVER: Yes, Commissioner. Excuse me.
25 I did look at that issue myself also. And like

1 Mr. Buys said, I had looked at a three-year and a
2 four-year average of the expense based on the
3 annual reports. And the four-year average, because
4 there were some inconsistencies, really is very
5 close to what was included in the recommendation.
6 So, that was one reason I didn't include it in my
7 comments.

8 CHAIRMAN BROWN: Okay. Thank you.

9 Commissioner Polmann?

10 COMMISSIONER POLMANN: Thank you, Madam
11 Chairman.

12 If I could, I would like to go back to
13 Issue 2.

14 CHAIRMAN BROWN: Sure.

15 COMMISSIONER POLMANN: On Page 6, there is a
16 discussion concerning excess of unaccounted-for
17 water. In the bottom line, as I see, the end of
18 that section is, "Staff recommends an adjustment to
19 purchase power and chemical expenses due to
20 24 percent excessive unaccounted-for water." That
21 seems, to me, to be one way of addressing that in
22 terms of, you know, the dollars, but in my mind,
23 that's -- that's an approach for us to deal with.

24 But I would like to address with the
25 utility -- and simply, from my professional

1 experience and -- and perspective in terms of
2 the -- the resource -- this is extraordinary, in my
3 mind. And I would expect in the future that --
4 that the utility take affirmative action to deal
5 with this.

6 CHAIRMAN BROWN: Uh-huh.

7 COMMISSIONER POLMANN: As I see it, the
8 rea- -- unaccounted-for water is actually at
9 34 percent. There's the standard that's cited in
10 here of 10 percent. That, in and of itself, is a
11 significant amount of what appears to be wasted
12 water.

13 Now, it's unaccounted for. We simply don't
14 know where the water is or where it goes. What's
15 being taken into account is a 24-percent excessive
16 unaccounted-for water, but in fact, the actual
17 unaccounted-for water is in excess of five-and-a-
18 half million gallons. To this Commissioner, that's
19 simply unacceptable.

20 So, I would encourage the utility, as strongly
21 as I can, to address this. And my expectation is
22 that -- is that you will do the appropriate thing,
23 take care of this, so --

24 MR. RENDELL: Yes, Commissioner. I -- if I
25 can respond. I'm glad you brought that up. It's a

1 concern to us as well. These lines -- the water
2 lines -- they're very thin-walled material that was
3 put in in the eighties -- I think the eighties or
4 seventies. It's not really appropriate for the
5 water.

6 What -- what we have done -- we have taken
7 steps. We've walked the system numerous times.
8 We've had the Florida Rural Water Association out
9 there. We've done ground-penetrating radar. We --
10 we have found some leaks. We fixed them, but it's
11 still high. So, what we're doing now is costing
12 out the replacement of those lines.

13 So, similar to what, you know, we went through
14 with Brevard Waterworks, we would have to replace
15 them. And so, we would have to take the cost-
16 benefit analysis; is it worth increasing these
17 rates if you're going to spend, you know, half a
18 million dollars to replace these lines.

19 So, we are costing out -- we're maybe looking
20 at the worst -- they're like wagon -- wagon wheels.
21 They're like spokes. So, we're looking at
22 alternatives. We would put a line on the outside
23 and just run new services.

24 So, we -- we are concerned. We look at this
25 every month. And we have discussed many options.

1 And we're trying to find the most cost-effective
2 option since, you know, going out and finding leaks
3 just hasn't corrected it to our satisfaction.

4 So, we will continue to look at it. But it
5 does come at a cost. If we -- like I said, if we
6 have to replace them, then we have to increase
7 rates again. So, we have to weigh the cost-benefit
8 of that.

9 COMMISSIONER POLMANN: Well, I -- I appreciate
10 the cost-benefit analysis. I think that that isn't
11 the appropriate thing to do.

12 But let me look to staff and -- and ask: Are
13 you satisfied and confident that the utility is
14 working with you and doing the appropriate thing
15 to -- to analyze this issue and looking for a
16 solution? I'm just asking if there's an
17 appropriate level of cooperation.

18 MR. WOOTEN: So far. We discussed it with
19 them. We saw the excessive unaccounted-for water.
20 It was something we wanted to address as well.
21 When we contacted him, he was very open about it
22 and willing to discuss it. We discussed that.

23 We would like some change in it because it was
24 kind of high. And he expressed the same thing he
25 expressed earlier about going ahead and getting new

1 pipes or whatever kind of control measure to
2 address the issue. So, we feel like he's doing
3 what needs to be done.

4 COMMISSIONER POLMANN: Okay. Well, thank you.
5 I would encourage you strongly to continue trying
6 to resolve this issue.

7 Thank you, Madam Chair.

8 CHAIRMAN BROWN: Thank you.

9 Commissioners, any other questions on Issues 1
10 through 15? Seeing none, we are ripe for a motion.

11 Commissioner Graham?

12 COMMISSIONER GRAHAM: Thank you, Madam Chair.

13 I guess we'll take the first issue up. I will
14 move staff recommendation with the utility putting
15 together a strategy on dealing with billing issues
16 and getting back with OPC within next six months.

17 CHAIRMAN BROWN: There's a motion on Issue 1.

18 Is there a second?

19 COMMISSIONER BRISÉ: Second.

20 CHAIRMAN BROWN: Any discussion?

21 All those in favor, say aye.

22 (Chorus of ayes.)

23 CHAIRMAN BROWN: Motion passes.

24 The remaining issues are two through 15.

25 COMMISSIONER GRAHAM: Issue 2 through 9, move

1 staff recommendation.

2 COMMISSIONER POLMANN: Second.

3 CHAIRMAN BROWN: Any discussion?

4 Seeing none, all those in favor, say aye.

5 (Chorus of ayes.)

6 COMMISSIONER GRAHAM: Issue 10, we'll move

7 staff recommendation.

8 MS. TAN: Madam Chairman --

9 CHAIRMAN BROWN: Yes.

10 MS. TAN: Can we make sure the oral

11 modification is also included?

12 CHAIRMAN BROWN: It -- it is, correct?

13 COMMISSIONER GRAHAM: Yes.

14 CHAIRMAN BROWN: Yes. Thank you.

15 COMMISSIONER GRAHAM: Issue 10, staff
16 recommendation with the change on Page 27, where
17 we're striking, "New customer account at the
18 previous service location" and the word "or" --
19 that's the motion.

20 CHAIRMAN BROWN: Thank you.

21 Is there a second?

22 COMMISSIONER BRISÉ: Second.

23 CHAIRMAN BROWN: Any discussion?

24 Seeing none, all those in favor, say aye, on
25 Issue 10.

1 (Chorus of ayes.)

2 CHAIRMAN BROWN: All right. And then --

3 COMMISSIONER GRAHAM: And then Issues 11
4 through 15, we'll move staff recommendation.

5 CHAIRMAN BROWN: Is there a second?

6 COMMISSIONER BRISÉ: Second.

7 CHAIRMAN BROWN: Any further discussion?

8 Seeing none, all those in favor, say eye.

9 (Chorus of ayes.)

10 CHAIRMAN BROWN: Thank you. And that inc- --
11 all of that, Ms. Tan, includes the oral
12 modification.

13 All right. Thank you. Thank you, Utility.

14 That concludes our agenda conference. We are
15 going to take a ten-minute break before the special
16 agenda. So, we will be back here at 10:25.

17 Thank you. This meeting is adjourned.

18 (Agenda item concluded.)

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS, Court Reporter, do hereby
certify that the foregoing proceeding was heard at the
time and place herein stated.

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

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'
attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED THIS 10th day of August, 2017.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
EXPIRES February 9, 2021