



JOE NEGRON
President of the Senate

J.R. KELLY
Public Counsel

STATE OF FLORIDA
OFFICE OF PUBLIC COUNSEL

c/o THE FLORIDA LEGISLATURE
111 WEST MADISON ST.
ROOM 812
TALLAHASSEE, FLORIDA 32399-1400
1-800-342-0222

EMAIL: OPC_WEBSITE@LEG.STATE.FL.US
WWW.FLORIDAOPC.GOV



RICHARD CORCORAN
Speaker of the House of Representatives

December 20, 2017

Carlotta S. Stauffer, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20130265-WU; Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

Dear Ms. Stauffer:

Attached is a list of issues that the Office of Public Counsel has prepared to identify concerns we have with the previously filed staff recommendation for Phase II rates. If you should have any questions, please feel free to call or e-mail me.

Respectfully submitted,

s/ Denise N. Vandiver

Denise N. Vandiver
Legislative Analyst

c: Division of Accounting & Finance (Mouring, Brown, Friedman & Friedman
Cicchetti, Golden, Vogel) Martin S. Friedman
Division of Economics (Bruce, Hudson, Daniel) 766 North Sun Drive, Suite 4030
Division of Engineering (Buys, King, Lewis, Vickery) Lake Mary, FL 32746
Office of the General Counsel (Murphy)
Office of Auditing and Performance Analysis Little Gasparilla Water Utility, Inc.
(Deamer) Jack R. Boyer
Office of Public Counsel (Sayler)

OPC Issues and Concerns
Little Gasparilla Water Utility, Inc.
Docket No. 20130265-WU

OPC has reviewed the staff recommendation for Phase II rates. While we have several concerns with the information provided, we have listed below issues regarding items that are not supported by the information provided by the utility and mistakes in the calculations included in the staff work papers.

Phase I Documentation

Page 7 of the staff recommendation states that the utility incurred approximately \$61,000 of the original estimated \$86,200 north line extension project cost. OPC has reviewed the documentation¹ provided by the utility and this number is supported.

Soft Costs

OPC has reviewed the documents provided. Many of the documents include loan closing costs which are considered in the cost of capital and should be removed. One amount is for \$2,000 to the contractor and the documentation is an e-mail that it was for the permit fee plus recording. In addition, there is a charge of \$1,138 for the buildre's risk insurance. There is no explanation why these are not part of the contract total. The only costs remaining are as follows. *Therefore, the Soft Costs should be reduced by \$30,170.*

Asbestos Survey	795
Appraisal	4,500
Total	5,295

Hard Costs

OPC has reviewed the documents provided. Our review indicates that the documents total \$34,443, which is \$5,800 less than the total provided by the utility. In addition, two sets of charges are duplicates of other pages provided. Another document is for a general contractor fee but is not explained why it is not part of the contract. There are also four pages with no explanation. These documents total \$6,158 that should be removed. The chart below shows the detail.

¹ Documentation reviewed includes Document No. 03605-2017 filed March 15, 2017, Document No. 04515-2017 filed May 1, 2017, Document No. 05004-2017 filed May 24, 2017, Document No. 07438-2017 filed August 31, 2017, Document No. 07734-2017 filed September 18, 2017, Document No. 10506-2017 filed December 11, 2017, Document No. 10565-2017 filed December 12, 2017

**OPC Issues and Concerns
Little Gasparilla Water Utility, Inc.
Docket No. 20130265-WU**

Hard Costs to Remove				
Brian C. Bishop	10/12/2015	General Contractor Fee 50% at start	5,000.00	PDF 91
Griffin Moeller	3/5/2015	no explanation	192.00	PDF 94
Griffin Moeller	2/26/2015	no explanation	288.00	PDF 95
Chad Weeks	5/1/2015	no explanation	168.00	PDF 99
Chad Weeks	6/25/2015	no explanation	96.00	PDF 99
Ferguson Enterprises	3/17/2016	Saw blade	147.13	PDF 113
Ferguson Enterprises	3/17/2016	Duplicate	147.13	PDF 114
Gulf Coast Tru Value Hardware	3/7/2016	Saw Blades, etc.	88.02	PDF 105
Home Depot	4/8/2016	Concrete Saw rental	178.91	PDF 123
Gulf Coast Tru Value Hardware	3/7/2016	Recip Blade Kit, Dust Respirator, etc. (DUPLICATE)	88.02	PDF 128
Home Depot	4/6/2016	no explanation, DUPLICATE deposit on saw rental	125.00	PDF 136
Home Depot	4/8/2016	DUPLICATE balance due on saw rental	53.91	PDF 136
Total to remove			6,158.06	

The remaining documents total \$28,285. Therefore, the hard costs should be reduced by \$11,958.

Florida Power & Light	2/13/2017	Handhold & riser at plant	552.55	
Brian C. Bishop	10/12/2015	County Permit Application Fee	206.00	
Ferguson Enterprises	9/3/2015	Chainsaw	529.60	
Down to Earth Handyman	10/28/2015	Material and Labor Tear Out	270.00	
Home Depot	2/27/2015	Lumber, gloves, trash bags, etc.	278.55	
Home Depot	3/1/2015	Sander, drill press, tools, planter	440.72	
Down to Earth Handyman	11/5/2015	Tear out interior equipment	2,800.00	
Island Dreams North	11/10/2015	Relocate 1500 gal propane tank	3,250.00	
Island Dreams North	10/30/2015	Site work and concrete removal	4,800.00	
Ferguson Enterprises	3/17/2016	Saw blade	147.13	
Ferguson Enterprises	5/4/2015	Saw blade, chain, adapter	161.77	
Gulf Coast Tru Value Hardware	3/7/2016	Saw Blades, etc.	88.02	
Gulf Coast Tru Value Hardware	12/8/2015	PVC Pipe (15 x 20ft) and Cement	250.20	
Gulf Coast Tru Value Hardware	1/10/2016	Saw blades, PVC couplings, etc.	85.06	
Down to Earth Handyman	2/18/2016	Tear out equipment, pumps	1,450.00	
Down to Earth Handyman	2/18/2016	Barge fees haul away to dump	800.00	
Down to Earth Handyman	2/18/2016	Remove electrical conduit, pumps	750.00	
Down to Earth Handyman	11/4/2015	Tear out equipment water plant	800.00	
Home Depot	2/26/2016	no explanation	221.62	
Down to Earth Handyman	4/6/2016	Layout and cutout in exterior tank wall	4,000.00	
Home Depot	2/13/2015	Nailer, Firestarter, Poplar Board, etc.	427.91	
Brian Collete	8/10/2016	7 hours New Building	140.00	
Brian Collete	4/5/2016	24 hours concrete cutting, clean up	480.00	
Home Depot	5/23/2016	Landscaping, door mat, supplies, etc.	593.46	
Home Depot	2/25/2016	Sump pump, copper wire, etc.	221.62	
Home Depot	4/19/2016	Shelving, drill bits, miscellaneous	502.25	
Home Depot	4/3/2016	Bagster dumpster bag, screwdriver set, etc.	245.11	
Home Depot	4/8/2016	Concrete Saw rental	178.91	
Gulf Coast Tru Value Hardware	3/31/2016	Bench Grinder, Pliers, miscellaneous	177.17	
Gulf Coast Tru Value Hardware	3/29/2016	Tank sprayer, life savers, broom, caution tape, masonry bits, etc.	104.25	
Gulf Coast Tru Value Hardware	4/29/2016	Fittings, miscellaneous	62.73	
Gulf Coast Tru Value Hardware	4/3/2016	Angle grinder, Bits, crimp wheel, etc.	129.45	
Andy Dixon	4/8/2016	Traco Weld	600.00	
Coastal Renovation and Design	5/23/2016	Cut door opening, construct rack system, haul away material	2,500.00	
Consolidated Electrical Dist	2/25/2016	Temporary power	40.45	
			<u>28,284.53</u>	

OPC Issues and Concerns
Little Gasparilla Water Utility, Inc.
Docket No. 20130265-WU

Pro Forma UPIS – Meter Replacement

Page 14 of the staff recommendation includes \$56,094 for the meter replacement program. Document No. 10506-2017, Page 22, includes a listing from the utility owner of what is supposed to be the costs for the meters. However, we have not seen an invoice for the revised total due to Blutower that would reflect the \$13,519.11 due after the initial payment of \$25,901.81. This invoice appears to be for 450 meters. The math shows that the staff adjustment includes the cost of 450 meters and the labor for 160 meters. The retirement is only for 131 meters. OPC has two issues with the staff recommendation on the meters. First, we believe that an invoice should be provided that supports the \$13,519.11. Second, meters for future use should not be included in rate base unless a corresponding retirement is made for the same 450 meters purchased and included in plant.

**Accumulated Depreciation
Depreciation Expense**

OPC reviewed the staff workpaper for the calculation of depreciation expense and accumulated depreciation. We found that the staff calculated depreciation expense without removing from the plant costs two adjustments reflected on Schedule B1: the demolition costs of \$29,179 and the refunded deposit of \$1,500. If these are removed, it is an impact of about \$1,100 on expenses and accumulated depreciation. A similar adjustment should be made to the staff increase to property taxes.

Capital Structure: Equity

Page 15 of the staff recommendation indicates that staff increased equity by \$120,884 for the utility's equity investment in all of the utility's projects. The staff work paper indicates amounts of $(\$81,000 - \$80,662 + \$85,418.05 + \$3,861.13 + \$31,267)$. Our review of the utility documentation does not support these numbers.

Insurance Expense

Page 18 of the staff recommendation includes \$14,672 for insurance expense. The staff work papers include three amounts to calculate this amount: $\$3,899.32 + \$7,879.00 + \$2,893.20$. OPC review found documents to support last two amounts but not the \$3,899.32.

Price Index and Pass Through

Page 19 of the staff recommendation increases O&M expenses by \$15,272 for price index and pass through increases received since the Phase I rates went into effect. However, this also includes an increase of \$424.25 for the effect of the reinstatement of the EUW adjustments. According to OPC's calculation, this adjustment is too high. We believe that the adjustment should be no more than \$155.78, for a minimum decrease of \$268.47. The chart below is staff's calculation and shows that the amounts for chemicals are higher than the original adjustment for chemicals when the amount should actually be a small percentage of that amount.

OPC Issues and Concerns
 Little Gasparilla Water Utility, Inc.
 Docket No. 20130265-WU

Purchased Water EUW Adj Excluded from Total	Purchased Power EUW Adj Excluded from Total	Chemicals EUW Adj Excluded from Total
3,803	280	38
31.75	N/A	
	N/A	228.76
	N/A	104.65
	N/A	40.00
<u>31.75</u>		<u>373.41</u>

Revenue Increase

Page 21 of the staff recommendation applies a percentage increase to the current rates, assuming the same billing determinants as in the Phase I rates which were based on 371 customers. The utility reported 467 customers as of May 2, 2017. This is an increase of 26% but no adjustments have been made to revenues or billing determinants. The staff's work papers indicate that the 2017 price index increase was calculated on annual revenues of \$416,698 which is 21% higher than the annualized revenues included in the staff recommendation. This is not an insignificant change that can be ignored as it results in a material error in the revenue requirement calculation. If the additional billing determinants are not included in setting rates, the utility will immediately be put into an overearnings situation. The new customers billed at the proposed rates will generate \$106,643, which would roughly increase the utility's rate of return to over 15%. Customers will not be protected by staff's annual report surveillance program as that review process will allow a 15-18 months or more to lapse before the staff is able to receive the annual report, review it and take the utility to the Commission to protect future overearnings. OPC argues that the Phase II increase should be based on the current level of customers and billing determinants.