

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 20180021-WU

APPLICATION FOR
STAFF-ASSISTED RATE CASE
IN HIGHLANDS COUNTY BY
COUNTRY WALK UTILITIES,
INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 6

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW G. FAY

DATE: Tuesday, October 30, 2018

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

REPORTED BY: ANDREA KOMARIDIS
Court Reporter and
Notary Public in and for
the State of Florida at Large

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

2 CHAIRMAN GRAHAM: Okay. Commissioners, we are
3 on Item No. 6, I believe.

4 MR. SMITH: Good morning, Commissioners. I'm
5 Lee Smith with Commission staff.

6 Item 6 is staff's revised recommendation,
7 addressing Country Walk's application for a
8 staff-assisted rate case. The utility is a Class C
9 utility that serves approximately 72 water
10 customers in Highlands County. The utility's last
11 SARC was in 2001. An oral -- an oral modification
12 was approved in this case. It was distributed to
13 each of your offices.

14 Mr. Rendell is here representing the utility.
15 Ms. Ponder is here representing OPC. Staff is
16 prepared to answer any questions you may have.

17 CHAIRMAN GRAHAM: Mr. Rendell, I'm going to go
18 with OPC first because that allows for you to
19 respond to anything they have to say, if that's
20 okay with you.

21 Ms. Ponder.

22 MS. PONDER: Good morning, Commissioners.
23 Virginia Ponder for the Office of Public Counsel.
24 With me is Marshall Willis.

25 We are here only to support the amended

1 recommendation. And we appreciate staff -- to say
2 that we appreciate staff making the correction in
3 the amortization of the acquisition adjustment.

4 So, that's all. Thank you.

5 CHAIRMAN GRAHAM: Okay. Mr. Rendell.

6 MR. RENDELL: Troy Rendell on behalf of
7 Country Walk. I'm here to support staff's amended
8 recommendation. Country Walk was a success story
9 that we worked with both DEP and the customers to
10 bring about a resolution to an issue that existed
11 prior to when we purchased it.

12 We worked very close with DEP who now is --
13 agrees that we are in full compliance. And that
14 was one of the reasons I put in the support from
15 DEP to have their -- amended for satisfactory.

16 CHAIRMAN GRAHAM: Okay. Commissioners, who
17 wants to start and where? Or I'll entertain a
18 motion to approve staff recommendation.

19 Commissioner Polmann.

20 COMMISSIONER POLMANN: Mr. Chairman, I would
21 support the item and move staff recommendation.

22 CHAIRMAN GRAHAM: On all issues?

23 COMMISSIONER POLMANN: On all issues. Thank
24 you, Mr. Chairman.

25 CHAIRMAN GRAHAM: It's been moved and

1 seconded.

2 Commissioner Brown?

3 COMMISSIONER BROWN: Well, I'm a little
4 surprised that there got -- was a motion already
5 because there are a few issues in this docket that
6 were a little perplexing to me and I wanted to kind
7 of walk through with the utility first.

8 CHAIRMAN GRAHAM: Okay.

9 COMMISSIONER BROWN: Regarding the extensive
10 amount of complaints over the last five years, it
11 does appear that the utility is engaged with the
12 customers. It's a very small system.

13 Do you think that the implementation of the
14 water-aeration system has eliminated those types of
15 complaints?

16 MR. RENDELL: Yes. We actually -- I've
17 personally went down there and met with the
18 customers. They said it's the best water they've
19 had. There was some issue with some greenness,
20 tinting, that was brought up during the customer
21 meeting. We went back down there, examined,
22 discovered it was the issue with the water softener
23 within the house. We worked with DEP to bring the
24 pH down, so it's less corrosive.

25 But from all the customers that we spoke with,

1 you know, the HOA -- they said it's the best water
2 they've had.

3 COMMISSIONER BROWN: Okay. That's good to
4 hear.

5 Let's talk about, under Issue 3, you have a --
6 actually, this is a question for -- for staff, on
7 the year-end rate base, when was the last time that
8 the Commission used year-end rate base for a
9 Class C utility? Using it, obviously, increased
10 the year-end rate base to 147-percent increase.
11 I'm just --

12 MR. SMITH: Correct, yes. I -- I can't say
13 for sure the exact last time it was used, but not
14 using it in this case would not allow the company
15 to recover half of the -- basically half of the --
16 the enforced draft system that was installed, which
17 was \$136,000. You put it in -- it was installed
18 during the test year as opposed to being a pro
19 forma item. They had already installed it and got
20 it working.

21 So, if you were -- used an average rate base,
22 at the end of the year, you're basically cutting
23 that in half. And then there's no way to recover
24 the investment in that. I -- I can't say for sure
25 which exactly was the last docket that that was

1 used in.

2 COMMISSIONER BROWN: But you think that would
3 qualify for unique circumstances in this instance.

4 MR. SMITH: Absolutely. As you can see, you
5 saw the 147-percent increase. I mean, it's -- it's
6 most of their rate base right now, which you --
7 again, you're basically taking half of that out by
8 using an average rate base.

9 COMMISSIONER BROWN: Thank you. Just wanted
10 to have that discussion.

11 And then, moving on to -- back to the utility,
12 on Issue 6 -- this is the first time we're seeing
13 the 2017 contract increases with U.S. Water, taking
14 out the thousand ER- -- potential ERCs. And all of
15 the past cases with the U.S. Water contract, the
16 argument that staff made -- that made it on parity
17 to a stand-alone system was the inclusion of having
18 those thousand ERCs.

19 I'm -- I am confused why you are, all of a
20 sudden, taking that out because it did make it more
21 rational and palatable for some -- like, this one,
22 with 70 customers -- I don't know if staff had an
23 opportunity to do a stand-alone analysis of those
24 costs, but I assume it would be burdensome on a
25 size of -- a customer size based here.

1 But -- can you talk about that?

2 MR. RENDELL: Sure. The thousand ERCs -- that
3 was something that was done back in 2013. And
4 the -- the thought was and the goal was that we
5 we're going to continue to buy utilities and we're
6 going to get to that thousand dollar -- thousand
7 ERC level -- well, actually, it was like 10,000.
8 We're close, but unfortunately, there's not many
9 utilities to buy that's left in the State of
10 Florida.

11 The thousand ERCs only apply to the
12 administrative portion, which is the accounting,
13 the management, the customer service -- those types
14 of items. When we looked at revising the
15 contracts, which we just did recently, again --

16 COMMISSIONER BROWN: By the way, that's
17 half -- but those costs are half of all of the
18 operating expenses for this system.

19 MR. RENDELL: The portion of the admin, I
20 don't have in front of me, but the new contract of
21 20,000 includes the operator, the maintenance, the
22 insurance benefits, the transportation, all of the
23 testing that's required.

24 One of the things that we looked at is we went
25 from a simple pump and chlorinate, which just had a

1 pump and a well, to now we have -- we have to add
2 acid, we have to add caustic, we have high-service
3 pumps, we have -- it's much more complicated. It
4 takes more work to bring the pH levels to the right
5 level to remove the sulfides and then to bring it
6 back up so that it causes less corros- --
7 corrosive-ity.

8 So, it was one of the things we did, in
9 looking at it, that we just don't believe the extra
10 thousand ERCs is attainable.

11 COMMISSIONER BROWN: And just looking at the
12 cost -- obviously, the pro forma expenses are a big
13 part of -- that's driving the rates up for this --
14 for this utility, but we have another item under
15 Item 10, the sister company, and the rates for this
16 system is actually -- same-sized utility, but it's
17 double the rates for your sister utility here,
18 ultimately.

19 And -- do you have concern with that? Do you
20 also have concern with the fact that not all of the
21 contracts that are in place are going to be
22 equally -- for the U.S. Water contracts, are going
23 to be equal? Because some of them we've approved
24 had -- had included the thousand ERCs.

25 MR. RENDELL: Well, no, because we have just

1 recently went -- I just did a complete audit of
2 every utility for the last two years to see if
3 we're covering costs. And we discovered that the
4 majority of these contracts are not covering costs.
5 They're still getting subsidies, so --

6 COMMISSIONER BROWN: Is that why you've
7 removed the thousand ERCs?

8 MR. RENDELL: That was not the reason. The
9 reason is that we were not going to be able to
10 attain that.

11 Now, what -- what I did recently, because I
12 just looked at all of them for the last two years,
13 is, for the ones that the contracts would be very
14 high, we would look at lowering the margin or
15 including the thousand because the rates would -- I
16 mean, the impact to customers would just be too
17 high.

18 We look at a per-ERC basis. We look at
19 comparable -- across the board for all of our
20 utilities to see if it's comparable. So, we don't
21 just go in and make revisions when we believe, you
22 know, it's necessary; that there are times that it
23 needs revisions and we don't do them. You know,
24 I'll be coming in for rate cases very soon for the
25 majority of my utilities and a lot of the new

1 contracts will be in them.

2 COMMISSIONER BROWN: That's why I wanted to
3 have this discussion as well.

4 Do you do an AWWA comparison when you look at
5 using U.S. Water?

6 MR. RENDELL: Well, back when I started
7 looking at these utilities and bringing all the
8 support to staff and to the Commission, that is one
9 of the elements that is looked at, AWWA, as well as
10 the FGOA, the Wechsler comparison.

11 And we still look at that comparison and --
12 you know, that's some of the support that's in some
13 of the sister utilities' dockets. And I would be
14 more than happy to start supplying in all the other
15 dockets going forward.

16 COMMISSIONER BROWN: So, that, to me -- that
17 would just -- I mean, here, I think that would be
18 very helpful at least --

19 MR. RENDELL: Sure.

20 COMMISSIONER BROWN: -- to see in our
21 recommendation to have that -- those types of
22 comparisons so that those costs are still deemed
23 reasonable when you look at that rather than
24 comparing it to the other sister companies, how
25 much they're -- it would be a nice comparison.

1 MR. RENDELL: Sure. I'll make a note of that
2 for future SARCs.

3 COMMISSIONER BROWN: Appreciate that.

4 Are you concerned with the rate structure and
5 the rates -- the fact that this is a major increase
6 for this utility?

7 MR. RENDELL: Well, going back to the
8 beginning, when we looked at -- well, first was
9 going to purchase it -- this issue has been going
10 on, back when it was Holmes Utility, and DEP was
11 very involved then try- -- they -- they we were
12 issuing a consent order against the former owner,
13 to fine him, to make him do this.

14 I wasn't with the utility at that time, but
15 the -- the president went down, met with the
16 customers and said, you know, this is the issue,
17 this is how much it's going to cost. And the
18 customers, at the time said, no, we don't want it.

19 So, we went a year or two with no issues, but
20 with the high levels of chlorine to treat the
21 sulfides that caused an exceedance of the TTHMs and
22 the disinfectant byproducts, which caused the DEP
23 to get involved -- we went down, met with the
24 customers with DEP; explained to them, you know,
25 what the costs would be, what the solution would

1 be.

2 We also offered them options. We said, you
3 can pay for it and we would make no money on it.
4 That's the only way utility owners make money is to
5 invest and get a return. You can pay a portion of
6 it. So, we gave them several options.

7 They went back to the board to discuss and
8 they actually asked DEP to -- to postpone any
9 enforcement or any permitting to give them time.
10 They came back to us and said, okay, we want you to
11 move forward. We kept them involved throughout the
12 process. We had meetings with them to give them a
13 construction schedule, what was going on.

14 So, although it is a very high increase, they
15 know it's coming. They basically are willing to
16 pay more if they've got better water. So, I'm not
17 real concerned because they know and they expect
18 it.

19 And you know, this is like -- this has been a
20 success story that, you know, you get the customers
21 involved, you get DEP involved from the beginning
22 and tell them what the issues are, how to fix it
23 and how much the impact to their rates may be.

24 So, you know, I think, you know, this is a
25 good -- good one to look at as, you know,

1 encouraging utility owners to do the right thing,
2 instead of fighting. You know, that -- I worked
3 with Ms. Gervasi on one awhile back that refused to
4 do the right thing and fought DEP and fought OPC
5 and ended up in a hearing here, but it's just the
6 utility owner refused to do the right thing.

7 We met with the customers and did the right
8 thing and fixed the problem.

9 COMMISSIONER BROWN: Thank you. I appreciate
10 you coming up here today, too, and explaining some
11 of these issues to us and also commend you for
12 buying some of these systems that probably others
13 would not buy and -- and fixing them up.

14 So, thank you for all that.

15 CHAIRMAN GRAHAM: Commissioner Polmann.

16 COMMISSIONER POLMANN: Thank you,
17 Mr. Chairman.

18 I simply want to express and acknowledge my
19 express grat- -- gratitude -- I'm sorry --
20 acknowledge Commissioner Brown questions on this.
21 She, obviously, put in considerable effort here
22 delving into the details. And putting these issues
23 into the record was very important, going forward.

24 I made the motion at the beginning because
25 I'm -- I'm satisfied that the utility has addressed

1 all of the concerns. The water-quality issue, in
2 some regard, was fairly straightforward in terms of
3 there being a relatively simple con- -- concept,
4 but the solution was fairly complex in terms of
5 what Mr. Rendell has laid out.

6 But I think, as he said, in many cases,
7 historically, with other utilities has been
8 difficult to find a resolution, but I simply want
9 to acknowledge Commissioner Brown's efforts to --
10 to engage the utility here and to really get into
11 the complexity of the solution, in terms of working
12 with the customers. So, I'll -- I'll just leave it
13 at that.

14 So, thank you very much for -- for the
15 opportunity to speak.

16 CHAIRMAN GRAHAM: Okay. So, we have a motion
17 on the floor, staff recommendation on all issues
18 with the oral modification. And it's been duly
19 seconded. Any further discussion?

20 Seeing none, all in favor, say aye.

21 (Chorus of ayes.)

22 CHAIRMAN GRAHAM: Any opposed?

23 By your action, you have approved the motion.

24 (Agenda item concluded.)
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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

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DATED THIS 8th day of November, 2018.



ANDREA KOMARIDIS
NOTARY PUBLIC
COMMISSION #GG060963
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