

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** January 17, 2020

**TO:** Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

**FROM:** Justin Sowards, Public Utility Analyst II, Division of Accounting & Finance

**RE:** Docket No. 20190147 – Application for certificates to provide water and wastewater service in Brevard County by River Grove Utilities, Inc.

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Please place the attached emails into the docket file.

## Justin Swards

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**From:** Martin S. Friedman <MFriedman@deanmead.com>  
**Sent:** Friday, January 03, 2020 9:30 AM  
**To:** Justin Swards  
**Cc:** Amber Norris; Bart Fletcher; Cheryl Bulecza-Banks; Debbie Swain; 'Cynthia Yapp'  
**Subject:** RE: 20190147-WS River Grove data request follow-up

Justin,

I don't know why I can't get a copy of the Rents contract, but I will keep trying.

As to administrative costs, all legal and administrative fees incurred would have been shown on what we provided. To the extent of anything else, the amount is \$0.

Marty

**From:** Justin Swards <jsewards@psc.state.fl.us>  
**Sent:** Monday, December 30, 2019 1:04 PM  
**To:** Martin S. Friedman <MFriedman@deanmead.com>  
**Cc:** Amber Norris <amnorris@psc.state.fl.us>; Bart Fletcher <BFletche@PSC.STATE.FL.US>; Cheryl Bulecza-Banks <CBulecza@PSC.STATE.FL.US>  
**Subject:** RE: 20190147-WS River Grove data request follow-up

Good afternoon,

I wanted to follow-up on the email below, have you been able to locate this information?

Additionally, we have one more question related to contractual services and Rents:

In its first response to staff's first data request, the Utility states that the meter reading, billing, and collection contractual services will be provided by River Grover Mobile Home Village. Is Rents a related party to River Grove Mobile Home Village and/or the Utility? If so, please provide justification that the estimated expenses are at or below market value.

Thank you,

Justin

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**From:** Justin Swards  
**Sent:** Tuesday, December 17, 2019 11:50 AM  
**To:** 'MFriedman@deanmead.com'  
**Cc:** Amber Norris; Bart Fletcher; Cheryl Bulecza-Banks  
**Subject:** RE: 20190147-WS River Grove data request follow-up

Marty,

Thanks for getting this to us, I have just a couple things I cannot locate:

- Administrative Costs for 2017 and 2018 – These consist of the accounting and legal fees included in contractual services and are not listed on the attachment provided.
- Customer billing and collection – Has the Utility signed an agreement or contract with Rents to provide this service? If so can you provide this document?

Thank you again,

Justin Swards

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**From:** Martin S. Friedman [mailto:MFriedman@deanmead.com]  
**Sent:** Monday, December 16, 2019 2:57 PM  
**To:** Justin Swards  
**Cc:** Amber Norris; Bart Fletcher; Cheryl Bulecza-Banks; Richard Bass (rbass5992@gmail.com); David Bolam; Debbie Swain; 'Cynthia Yapp'  
**Subject:** FW: 20190147-WS River Grove data request follow-up

Justin,

Let me know if you need anything further.

Marty



Martin S Friedman  
Attorney at Law  
MFriedman@deanmead.com  
D: 407-310-2077  
Dean, Mead, Egerton, Bloodworth, Capouano & Bozarth, P.A.  
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**From:** Justin Swards <jsewards@psc.state.fl.us>  
**Sent:** Wednesday, December 11, 2019 3:19 PM  
**To:** Martin S. Friedman <MFriedman@deanmead.com>  
**Cc:** Amber Norris <amnorris@psc.state.fl.us>; Bart Fletcher <BFletche@PSC.STATE.FL.US>; Cheryl Bulecza-Banks <CBulecza@PSC.STATE.FL.US>  
**Subject:** 20190147-WS River Grove data request follow-up

Marty,

Below are a few follow-up questions we have concerning the Utility's response to staff's first data request for River Grove.

1. In response to staff's first data request question No. 5, the Utility provided two different responses regarding the estimates for salary expenses. In the initial response it stated there are no salaries or wages expense projected for the water system. However, in the supplemental response it requested two positions to be allocated to the water and wastewater systems and provided salary estimates.

- a. Please explain why the Utility is now requesting additional salaries and wages expense
- b. Please provide justification for the inclusion of the requested positions.

a and b: It was envisioned originally that the Contract Operator would handle not only the operation but the meter reading, billing and maintenance. Since then, River Grove decided to hire Rents to prepare the utility bills. I understand this decision was made late during the construction period near the time the PSC application was submitted. River Grove will obtain the meter readings via the new AMR system and transfer the data to Rents. The meter reader will also be responsible for any field work needed in responding to customer issues/concerns and for general operations monitoring and maintenance at the WWTP. The other position is an office position to mail bills and answer the phone for the new utility. This position would also be responsible for coordinating the annual PSC reporting. Again, these positions were not envisioned during the initial preparation of the financial data but were added later. Both positions were included in the original business plan but were removed when River Grove advised that US Water would be taking over operations and billing. Then it changed later to US Water just handling the Operations.

- c. Please provide a job description for both requested positions and an explanation of how the salary estimates were developed. Two employees will be assigned to the water and wastewater utilities.

1. Water/Wastewater Superintendent/mechanic: \$40/hour full time = \$83,200

This individual will work full time to oversee the and direct the contract operator, perform and oversee maintenance work

2. Water/ Wastewater Director: \$90/hour @20 hrs per week = \$93,600

This individual will work part time, serving as manager of the utility, overseeing all activities including operations, maintenance and administration.

2. In response to staff's first data request No. 6, the Utility provided calculations for expenses included in contractual services.

- a. Under administrative costs, please provide the actual costs for the years 2017 and 2018. See attached
  
  - b. Under customer billing and collection, how did the Utility determine the monthly costs for meter reading and billing? If this projected expense is a quote from the mobile home park who is providing the service, please include documentation. These costs are based upon negotiations with Rents to provide the services.
  
  - c. Under lab fees, please provide the actual costs for 2018. See attached.
3. Why did the Utility base its estimated expenses on the calendar years 2015, 2016, and 2017 but did not incorporate 2018? The information provided was developed for the Business Plan prepared for the SRF loan application submitted to FDEP in early 2018, so 2018 information was not yet available. See attached to include 2018.

Please let me know if you have any questions.

Thank you,

Justin Sowards

## Justin Swards

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**From:** Martin S. Friedman <MFriedman@deanmead.com>  
**Sent:** Friday, December 20, 2019 2:48 PM  
**To:** Justin Swards  
**Cc:** Richard Bass (rbass5992@gmail.com); David Bolam; Debbie Swain; 'Cynthia Yapp'  
**Subject:** FW: 20190147-WS River Grove data request follow-up

Justin,

See responses below. Let me know if you have any questions or need anything additional.

Marty

**From:** Justin Swards <jsewards@psc.state.fl.us>  
**Sent:** Wednesday, December 18, 2019 4:16 PM  
**To:** Martin S. Friedman <MFriedman@deanmead.com>  
**Cc:** Amber Norris <amnorris@psc.state.fl.us>; Bart Fletcher <BFletche@PSC.STATE.FL.US>; Cheryl Bulecza-Banks <CBulecza@PSC.STATE.FL.US>  
**Subject:** RE: 20190147-WS River Grove data request follow-up

Marty,

I have a few more follow-up questions for River Grove below.

1. In response to staff's first data request question No. 6, the Utility included monthly costs to read meters in its calculation for contractual services. However, the response email dated December 17 stated that one of the requested positions would be reading meters. Please clarify who is responsible for reading meters.

At this time, the plan is to contract the meter reading, and is negotiating with Rents to do that.

2. In response to staff's first data request question No. 6, the Utility included costs related to annual reporting to the Public Service Commission within contractual services. However, the response email dated December 17 stated that one of the requested positions would be responsible for this reporting. Please clarify who is responsible for reporting to the Public Service Commission.

At this time, the plan is to have the work performed as contract services.

3. The Utility has indicated they have hired Rents to handle the billing process; however, the previous email also indicates that one of the requested positions would be mailing bills. Please clarify who is responsible for the billing process.

At this time, the plan is to contract all billing services.

4. In the response email dated December 17, the Utility indicated the office position would mail bills and answer the phones.
  - a. Is this the requested position titled “Water/Wastewater Director”? The office position is an outside contract, and not work performed by the Water/Wastewater Director
  - b. In addition to the information provided in the response email, please provide a complete detailed job description and justification for the requested \$90 per hour rate. The Water/Wastewater Director will be a senior level manager overseeing the overall operations and administration of the Utility. The \$90 hourly rate represents the estimated cost of salary, benefits, payroll taxes, workers comp insurance, etc.
5. In addition to the information provided in the response email for the requested position titled “Water/Wastewater Superintendent/mechanic”, please provide a complete detailed job description and justification for the requested \$40 per hour rate. Water/Wastewater Superintendent/mechanic. The Water/Wastewater Superintendent/mechanic will perform all maintenance and and oversee the day to day operations and administration of the utility.

Please let me know if you have any questions.

Thank you,

Justin Sowards

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**From:** Martin S. Friedman [mailto:MFriedman@deanmead.com]

**Sent:** Monday, December 16, 2019 2:57 PM

**To:** Justin Sowards

**Cc:** Amber Norris; Bart Fletcher; Cheryl Bulecza-Banks; Richard Bass (rbass5992@gmail.com); David Bolam; Debbie Swain; 'Cynthia Yapp'

**Subject:** FW: 20190147-WS River Grove data request follow-up

Justin,

Let me know if you need anything further.

Marty

<b>Waste Water Expenses</b>	2015	2016	2017	2018	Average	Year 1
Payroll Expense @ 40%	\$56,372.00	\$69,833.00	\$74,426.97	\$49,337.70	\$62,492.42	\$64,039.51
Auto Main. @40%	\$1,767.70	\$4,135.86	\$7,662.83	\$0.00	\$3,391.60	\$3,475.56
W/S Plant Maintenance @40%	\$8,234.76	\$1,943.99	\$2,457.46	\$1,002.74	\$3,409.74	\$3,494.15
Building/Ground @10%	\$3,318.14	\$1,622.43	\$1,780.40	\$654.17	\$1,843.78	\$1,889.43
Chemicals @ 30%	\$502.02	\$495.41	\$78.00	\$1,295.06	\$592.62	\$607.29
Insurance @20%	\$2,828.61	\$2,921.39	\$5,067.15	\$5,502.61	\$4,079.94	\$4,180.94
Consulting Engineer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Overhead @20%	\$47,988.01	\$52,197.48	\$52,557.76	\$73,267.95	\$56,502.80	\$57,901.61
Utilities @50%	\$18,056.08	\$16,852.26	\$17,652.58	\$17,431.08	\$17,498.00	\$17,931.19
Taxes @10%	\$5,353.94	\$9,373.46	\$5,145.42	\$5,799.41	\$6,418.06	\$6,576.95
Lab fees @60%	\$2,930.40	\$1,609.20	\$1,458.00	\$2,313.00	\$2,077.65	\$2,129.09
Subtotal	\$149,366.66	\$163,000.45	\$170,303.57	\$158,621.70	\$160,323.10	\$162,225.71
Total Expense	\$728,536.58	\$760,689.83	\$764,608.62	\$958,569.47	\$803,101.13	\$822,983.10
Percent Waste Water =	20.50%	21.43%	22.27%	16.55%	21%	20%
Percent Increase in Total Expenses =		2.48%	per year	increase		

<b>Water Expenses</b>	2015	2016	2017	2018	Average	Year 1
Payroll Expense @ 40%	\$56,372.00	\$69,833.00	\$74,426.97	\$49,337.70	\$62,492.42	\$64,039.51
Auto Main. @40%	\$1,767.70	\$4,135.86	\$7,662.83	\$0.00	\$3,391.60	\$3,475.56
W/S Plant Maintenance @40%	\$8,234.76	\$1,943.99	\$2,457.46	\$1,002.74	\$3,409.74	\$3,494.15
Building/Ground @10%	\$3,318.14	\$1,622.43	\$1,780.40	\$654.17	\$1,843.78	\$1,889.43
Chemicals @ 50%	\$836.70	\$825.68	\$130.00	\$2,158.43	\$987.70	\$1,012.15
Insurance @20%	\$2,828.61	\$2,921.39	\$5,067.15	\$5,502.61	\$4,079.94	\$4,180.94
Consulting Engineer	\$2,500.00	\$0.00	\$27,895.18	\$0.00	\$7,598.80	\$7,786.91
Overhead @20%	\$47,988.01	\$52,197.48	\$52,557.76	\$73,267.95	\$56,502.80	\$57,901.61
Utilities @25%	\$9,028.04	\$8,426.13	\$8,826.29	\$8,715.54	\$8,749.00	\$8,965.59
Taxes @10%	\$5,353.94	\$9,373.46	\$5,145.42	\$5,799.41	\$6,418.06	\$6,576.95
Lab fees @40%	\$1,953.60	\$1,072.80	\$972.00	\$1,542.00	\$1,385.10	\$1,419.39
Subtotal	\$140,181.50	\$152,352.19	\$186,921.46	\$149,998.53	\$156,858.92	\$160,742.20
Total Expense	\$728,536.58	\$760,689.83	\$764,608.62	\$958,569.47	\$803,101.13	\$822,983.10
Percent Water =	19.24%	20.03%	24.45%	15.65%	21%	20%
Percent Increase in Total Expenses =		2.48%	per year	increase		