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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 20190114-WU

APPLICATION FOR STAFF-
ASSISTED RATE CASE IN
ALACHUA COUNTY, AND REQUEST
FOR INTERIM RATE INCREASE
BY GATOR WATERWORKS, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 11

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

DATE: Tuesday, March 3, 2020

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

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

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

2 CHAIRMAN CLARK: All right. Item No. 11,
3 application for SARC in Alachua County.

4 (Discussion off the record.)

5 MS. BRUCE: Good morning, Commissioners. I am
6 Sonica Bruce -- Bruce, speaking on behalf of
7 Commission staff.

8 Item No. 11 addresses a staff-assisted rate
9 case in Alachua County by Gator Waterworks. The
10 utility provides water service to approximately 351
11 residential customers, four general-service
12 customers. The utility was formerly owned by
13 Kincaid, wherein no investment was being made in
14 regards to infrastructure.

15 The Commission has not set rates since
16 granting the grandfather certificates. Staff is
17 recommending the quality of service be considered
18 satisfactory. Staff is recommending a revenue-
19 requirement increase of 174.82 percent for water.
20 And, due to the high discretionary usage, staff is
21 recommending a four-tier inclining block rate
22 structure.

23 Farther- -- furthermore, due to the magnitude
24 of the revenue-requirement increase, staff believes
25 that it's imperative in this case to monitor

1 whether the con- -- customers' reduced consumption
2 is expected and will evaluate whether any
3 additional adjustments to the rates are necessary;
4 therefore, staff is recommending the docket remain
5 open to allow the utility to provide monthly
6 reports detailing the number of billing
7 determinants and revenues billed.

8 There has been no correspondence provided in
9 regard to staff's preliminary rate structure.
10 Utility -- utility representative Troy Rendell is
11 present as well as Tad David with the Office of
12 Public Counsel. Staff is prepared to answer any
13 questions you may have.

14 CHAIRMAN CLARK: Thank you.

15 Mr. David, would you like to address the
16 Commission?

17 MR. DAVID: Yes. Tad David on behalf of
18 Office of Public Counsel, and also want to make an
19 appearance for J.R. Kelly, Public Counsel. Good
20 morning, Mr. Chairman and Commissioners. And thank
21 you for your time this morning.

22 At the outset, I want to make clear that I'm
23 not here at all to criticize the current owners of
24 the Gator Waterworks. I'm here simply to ensure
25 that the customers are zealously represented in

1 this matter and to request that the Commission not
2 approve the -- the staff-recommended rate increase.
3 Instead, I would like to request that the
4 Commission approve the more-reasonable rate
5 increase that will not hurt the customers.

6 We understand that the previous owners did not
7 properly seek an increase after the rates were set
8 in 1993, but the utility's rates have been amended
9 through three price-index increases.

10 We also understand that the utility recently
11 had to address some long-overdue maintenance
12 issues. And I'm not here to oppose rates being
13 increased; I'm here simply to ask that you make
14 sure that the rates you approve are fair, just, and
15 reasonable.

16 The issues in the staff's recommendation on
17 which I want to focus are Issues 8 and 9, but I
18 would note that I also want to contest Issues 4, 7,
19 and 15 to the extent necessitated by our position
20 in Issues 8 and 9.

21 In Issue 8, the staff recommendation shows a
22 revenue-requirement increase of 174.82 percent;
23 however, I would ask that you turn to Page 44 of
24 the rec- -- of the staff's recommendation, which is
25 Schedule 4, the proposed recommended tariff sheet.

1 There, we can calculate that the recommended
2 rate structure results in a gallonage-charge
3 increase of about 664 percent at the zero-to-
4 5,000-gallon usage rate.

5 This revenue requirement translates, as shown
6 on Schedule 4, also referenced in Issue 9, into a
7 303-percent increase for the typical residential
8 household that uses approximately 5,000 gallons;
9 and a 234-percent increase even if the household
10 only uses 3,000 gallons a month. That is the
11 definition of rate shock.

12 In raw dollars, the staff's 303-percent
13 increase makes the typical 5,000-gallon bill rise
14 from \$11.54 to \$46.51, a \$35-per-month or \$420-per-
15 year increase.

16 As much a shock are the proposed rates for
17 users of 8,000 gallons, who would see a 409-percent
18 increase in their water bill, and users of 10,000
19 gallons, who would see a 460-percent increase.

20 The customers are mostly fixed-income
21 individuals, single parents, and working-class
22 citizens. These customers would potentially have
23 to make choices between paying for their water or
24 buying groceries; between paying for water or
25 paying for medication; between paying for water or

1 buying gas to get to work.

2 Not only would the recommended rates be
3 unaffordable for many of the customers, such a
4 shocking increase would not be fair, just, and
5 reasonable.

6 In its petition, the utility has requested a
7 rate increase that would affect a 140-to-170-
8 percent increase in the typical bill, a figure very
9 similar to staff's calculated revenue-requirement
10 increase of 174.82 percent. While not desirable,
11 this increase would certainly be preferable to the
12 increase recommended by staff on its proposed
13 tariff sheet.

14 Even understanding the calculations
15 undergirding staff's much-higher recommendation, I
16 ask that you consider a smaller rate increase more
17 in line with the increase requested by the utility.

18 And further, I'd like to request that any
19 increase that you do approve be phased in or
20 graduated in two steps, please, over a period that
21 will allow the customers to adjust their budgets to
22 the higher rates. This would ensure that
23 utilities' rates remain fair, just, and reasonable.

24 Thank you, again, for your time this morning.

25 CHAIRMAN CLARK: Thank you, Mr. David.

1 Mr. Rendell, would you like to respond?

2 MR. RENDELL: Good morning, Commissioners.

3 Troy Rendell on behalf of Gator Waterworks. This
4 is another difficult one. The -- if you recall,
5 this utility was in trouble with the PSC. They
6 were -- they had a revocation docket open. They
7 had never come in for a SARC. And the reason they
8 had not come for a SARC is because they were not
9 paying the regulatory assessment fees. They also
10 were not paying the property taxes.

11 The system was in complete disrepair. We had
12 to replace the entire water-treatment plant. We
13 replaced everything except the hole in the ground.
14 We replaced the wells, the treatment, the -- we
15 added a generator, the tanks. We've made numerous
16 repairs.

17 The -- it's old piping. There's a lot of
18 leaks. We're currently working on the pro forma,
19 which should be done in a few weeks, of replacing
20 two mains where a lot of leaks have occurred, which
21 cost a lot of money to repair.

22 So, it's going to reduce the unaccounted-for
23 water because it's -- it's leaking terribly. We
24 had another huge leak last week -- that's not in
25 this rate case -- out on, I think, Highway 20. The

1 Department of Transportation contacted me.

2 So, it's an old system. We realize it's a
3 large increase, but it's driven by the capital
4 costs that we put into the system to make it
5 better.

6 Customers have said, you know, how -- how the
7 water has improved. They've seen the improvements.
8 So, it's something they actually can see that we
9 physically did. So, you know, under 367.081, you
10 know, the -- we're allowed to earn a rate of return
11 on funds prudently invested. And, in this case, it
12 was all driven by capital.

13 So, we're here to support staff's
14 recommendation.

15 CHAIRMAN CLARK: Thank you, Mr. Rendell.

16 Any commissioner comments?

17 Commissioner Brown.

18 COMMISSIONER BROWN: I would like to hear a
19 little bit more about the phasing-in the rate
20 increase. As you said, Mr. Rendell, most of this
21 increase is due to capital improvements and
22 probably the failure for the previous owner to come
23 in when needed for a rate increase.

24 What are your thoughts on phasing in the --
25 the rate increase to avoid that rate shock?

1 409 percent, 303 percent based on gallonage --
2 significant.

3 MR. RENDELL: I agree. The -- the only part
4 that really isn't in the ground right now is the
5 main replacements, and those will be there --
6 they're actually being installed now. So, that's
7 the pro forma. That would be the only part that
8 would be second phase.

9 I'm not sure how to structure a phase-in.
10 Maybe the -- maybe, if I work with staff, the rate
11 of return maybe would be delayed for a year, but
12 there would have to be some compensation for that
13 because, you know, we're allowed to return on our
14 investments.

15 So, I haven't really thought about the phase-
16 in. I'm not totally opposed; I'm just not sure how
17 to -- to structure it since it's funds already
18 expended --

19 COMMISSIONER BROWN: I got --

20 MR. RENDELL: -- and already in service.

21 COMMISSIONER BROWN: And I appreciate that.

22 Staff, do you have any input, advice, guidance
23 on the phasing-in? Nobody --

24 CHAIRMAN CLARK: Anyone want to take this?

25 COMMISSIONER BROWN: Anybody in the audience?

1 (Laughter.)

2 MS. BRUCE: Well, I'll say something, but I
3 don't believe -- I believe accounting would -- we
4 would just design rates based on the revenue
5 requirement.

6 MR. BROWN: Yeah, there's -- there's not -- I
7 know we've already included the main -- the pro
8 forma main that Mr. Rendell is talking about.
9 That's included in our revenue requirement.

10 I mean, I think he was alluding to the fact
11 that that might be able to be pulled out and done
12 as a Phase 2, if I heard you correctly. But right
13 now, it's included in there.

14 And like you said, the majority of -- of the
15 increases is simply made on invest- -- on huge
16 amount of investment the utility has made --

17 COMMISSIONER BROWN: I understand.

18 MR. BROWN: -- to plan.

19 COMMISSIONER BROWN: And we haven't really
20 heard any comments from customers in this docket.
21 So, they've been informed of the rate increase.

22 MR. RENDELL: Correct. And -- and by the time
23 the rates go into effect, that pro forma will be in
24 service. And, like I said, there's been other
25 repairs since then that's not included in the rate

1 case that we're -- that we're still not getting
2 recovered for that. So, we're always playing
3 catch-up, basically.

4 COMMISSIONER BROWN: Okay. Thank you.

5 CHAIRMAN CLARK: Commissioner Polmann.

6 COMMISSIONER POLMANN: Thank you,
7 Mr. Chairman.

8 Question for Public Counsel: I'm -- you cited
9 a lot of numbers, and they do sound scary. And you
10 raised the question of an increase in steps, but
11 I -- I'm wondering if Public Counsel has any
12 suggestions on what that might be.

13 MR. DAVID: I, right now, don't have a
14 specific plan, but anything that would allow it to,
15 like I said, take effect over -- because, you know,
16 we understand, actually, after having gone through
17 the docket and the information filed and all of
18 that -- we understand the work and the things that
19 have gone into bringing this -- this utility up to
20 par.

21 And so, you know, we're not -- certainly not
22 trying to hurt the utility. We're just trying to
23 ensure that these customers are not overly-burdened
24 with the increase.

25 So, I don't have a specific suggestion, but

1 just anything that would allow this -- the
2 increase -- whatever increase there is to take
3 effect over po- -- like I said, even if it's just
4 two steps, whether it's six months and then a year
5 or -- you know, whatever would be acceptable to the
6 Commissioners and -- would -- would be okay, and
7 certainly would be -- would be better than -- than
8 the proposed single increase shock there.

9 And also, I would, if I could, just like to
10 say that it's a relatively-small utility as far as
11 customer numbers go. And the -- the customers that
12 attended the customer meeting also were -- have
13 been contacting me. There have been a handful of
14 them that contacted me. They may not have known to
15 contact the Commissioners or the Commission
16 directly.

17 There have been some -- there are some people
18 who are concerned. So, I didn't want the lack
19 of -- of e-mails or correspondence directly to the
20 Commission to appear to -- to be a lack of caring
21 on the part of these -- of these customers.

22 There have been a -- several of them that have
23 been really involved. And -- and they will tell
24 you, in fact, that the -- the service and the water
25 is much improved. So, they don't have any issue

1 with that.

2 It's just they are, you know, living the
3 reality of being fixed-income, working-class, and
4 just needing to figure out how they're going to pay
5 their water bill.

6 COMMISSIONER POLMANN: Certainly.

7 You know, the difficulty in the circumstance
8 like this is the improvements are -- have been made
9 or are in the process of being made, and unless we
10 had planned for a two-phase at -- at the outset, in
11 the beginning of this process, the place where we
12 are now is -- is moving forward with, you know, the
13 rate adjustments in a single phase or coming up
14 with something extraordinary that -- that, in
15 effect, looks like a penalty against the utility
16 for having moved -- moved forward in a single step.

17 I mean, that's -- that's one interpretation
18 that -- that we can view. And I'm not quite sure
19 that that's fair on -- on the utility's side. I
20 understand the burden on the customer's side, but
21 it puts us in a little bit of a quandary.

22 I don't have an answer, but you know, that's
23 why we're inviting the -- the audience to offer an
24 answer. Maybe somebody out there has -- wants to
25 be a philanthropist and put money on the table, but

1 I don't see that coming forward either.

2 Thank you, Mr. Chairman.

3 CHAIRMAN CLARK: Commissioner Graham.

4 COMMISSIONER GRAHAM: I move staff
5 recommendation on all issues.

6 COMMISSIONER POLMANN: Second.

7 CHAIRMAN CLARK: Motion and a second to
8 approve the staff recommendation on all issues. Is
9 there any discussion?

10 On the motion, all in favor, say aye.

11 (Chorus of ayes.)

12 CHAIRMAN CLARK: Opposed?

13 Motion is approved.

14 Thank you very much.

15 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, ANDREA KOMARIDIS WRAY, 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 11th day of March, 2020.



ANDREA KOMARIDIS WRAY
NOTARY PUBLIC
COMMISSION #GG365545
EXPIRES February 9, 2021