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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 20190166-WS

Application for increase in water rates
in Highlands County by HC Waterworks, Inc.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 7

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

DATE: Tuesday, May 5, 2020

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

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
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1 P R O C E E D I N G S

2 CHAIRMAN CLARK: Okay. We will give staff
3 just a second to fix our screens again so we can
4 get our fellow Commissioners back online here.
5 Make sure we have everybody. We have one.

6 COMMISSIONER FAY: Mr. Chairman, can you hear
7 me?

8 CHAIRMAN CLARK: Yes, Commissioner, Fay, we
9 hear you. We don't see you, but we understand you
10 are on telephone now, is that correct?

11 COMMISSIONER FAY: Correct. Thank you.

12 CHAIRMAN CLARK: Okay. Also would -- did you
13 record a vote on Item No. 6, Commissioner Fay, as
14 an affirmative?

15 COMMISSIONER FAY: Correct.

16 CHAIRMAN CLARK: Thank you very much.

17 Commissioner Brown, we don't have your video.
18 Do we have you via audio?

19 COMMISSIONER BROWN: I am coming on.

20 CHAIRMAN CLARK: Tada.

21 COMMISSIONER BROWN: My children over here.

22 CHAIRMAN CLARK: There you are. We got you
23 now.

24 COMMISSIONER POLMANN: As long as you don't
25 bring the dog.

1 COMMISSIONER BROWN: Oh, she's here. She has
2 not left.

3 CHAIRMAN CLARK: Everybody is participating
4 today.

5 Okay. I hope that -- I hope that everybody is
6 prepared. Let's move on to Item No. 7. Mr.
7 Futrell.

8 MR. FUTRELL: Commissioners, Item 7 is staff's
9 recommendation on the request of HC Waterworks,
10 Incorporated, for an increase in water rates. HC
11 is a Class B utility providing water service to
12 approximately 1,000 customers in Highlands County.

13 The utility's requested rate increase is
14 largely due to system modifications required by the
15 Florida Department of Transportation and the
16 Florida Department of Environmental Protection.

17 Staff recommends a revenue increase of
18 \$182,937, or 32.61 percent, in order to recover
19 these costs.

20 Staff also recommends that the overall quality
21 of service should be found to be unsatisfactory,
22 and as a result, recommends a reduction in the
23 utility's return on equity of 50 basis points.

24 Staff held a customer meeting on
25 February 20th, 2020, in Sebring, Florida. 18

1 customers provided feedback at the meeting, mainly
2 regarding the water quality and overall rate
3 increase. Subsequent to the meeting. 16 customers
4 have filed comments in the docket.

5 Parties would like to address the Commission,
6 and staff is available for questions.

7 CHAIRMAN CLARK: Thank you, Mr. Futrell.

8 We are going to begin were Mr. Troy Rendell,
9 representing Highlands County Waterworks.

10 Mr. Rendell, are you on the line?

11 MR. RENDELL: Yes, Chairman, I am.

12 CHAIRMAN CLARK: Thank you. You are
13 recognized.

14 MR. RENDELL: Good morning, Mr. Chairman and
15 Commissioners. This is Troy Rendell on behalf of
16 HC Waterworks. And with me this morning is
17 Mr. Gary Deremer, the President of HC Waterworks.
18 We would like to address the Commission on Issue 1.
19 We would also like to reserve the right to respond
20 to both the Office of Public Counsel comments as
21 well as the representative from Highlands County.

22 CHAIRMAN CLARK: All right. You are
23 recognized.

24 MR. DEREMER: Thank you. This is -- thank
25 you. This is Gary Deremer.

1 I think it's important for the Commissioners
2 to have some historical context with the system.
3 This was a system that was, you know, owned by the
4 Aqua group that was sold and was broken up. Most
5 of it was sold to city and county and the FUA, and
6 then we ended up with the system.

7 So we are, you know, very cognizant of rates,
8 and we have done a number of things in the system
9 to try to mitigate the cost of, you know, what the
10 customers sustain, including from the getgo a, you
11 know, reduction in what we paid for the system
12 relative to net book value.

13 The customers have suffered for a long time in
14 this system, and we are sorry for it, for poor
15 water quality related to mostly odor and color
16 resulting in very high levels of sulfide in the
17 level.

18 The previous owner, Aqua, invested about \$2
19 million in treatment systems to try to correct this
20 problem. And, you know, after we bought it, we
21 knew that there was going to be some issues with
22 those systems, and that was part of the reason why
23 we reduced our purchase price, you know, and
24 reduced net book value considerably.

25 We did make a very thorough attempt to try to

1 modify those systems so that they would work. We
2 worked with DEP on a number of those modifications.
3 In the end, we -- we could not make those systems
4 work. And a large portion of what you see in the
5 recovery of capital is the new plant.

6 In addition to that, the system that was
7 constructed by the previous owner required a lot of
8 waste for water, about, you know, in excess of
9 20 million gallons a year of water had to be
10 flushed on the ground in order to maintain water
11 quality in that system, so it is extraordinarily
12 wasteful. The current system that has been
13 constructed, that water reduction is down to about
14 four million gallons a year from, I think,
15 27 million gallons per year.

16 So it's a considerably more efficient system.
17 I think the -- you know, the other pertinent point
18 here is that a portion of the system, which we
19 refer to as Lake Josephine, its customer base is
20 very sparse. You may have a customer, a
21 half-a-mile of pipe, another customer, another
22 half-a-mile of pipe. So the characteristics in the
23 water range in the system are a challenge for this
24 utility that it is an ongoing management effort,
25 and the utility has installed automatic flushing

1 systems throughout the utility in order to try to
2 maintain water quality by reducing age. So there
3 is significant flushing, but of course much less
4 than what was previously done.

5 We do recognize the customers have had
6 complaints. I, myself, have been to the system
7 many sometimes and looked at various areas where
8 we've had complaints. We pulled additional samples
9 just recently in order to further measure the water
10 in the distribution system.

11 And, you know, based on, you know, my opinion,
12 the system that's been installed is working as
13 designed. The water quality is much improved, and,
14 you know, we look forward to coming back and
15 answering questions of -- as we proceed through the
16 hearing.

17 CHAIRMAN CLARK: Thank you, Mr. Deremer.

18 OPC, Ms. Morse, are you on the line?

19 MS. MORSE: I am, Mr. Chairman.

20 CHAIRMAN CLARK: You are recognized.

21 MS. MORSE: Thank you.

22 Good morning again. Stephanie Morse on behalf
23 of the Office of Public Counsel.

24 OPC agrees with the staff's recommendation
25 that the utility's quality of service should be

1 found understand satisfactory. In short, the
2 ongoing service issues are brown and black fowl
3 smelling water, water which is painful for
4 customers to shower in, and which appear to put
5 them in health risk in that it causes painful skin
6 reactions and kills or sickens pets. Inconsistency
7 in the delivery of boil water notices, where
8 sometimes customers report receiving notices that
9 they can stop boiling the water when they never
10 received the boil water notice in the first place.
11 And the failure to communicate satisfactorily with
12 customers, just one example are the multiple emails
13 are from the Fortners in the docket, which outline
14 the utility's communication deficiencies, in
15 addition to the customers who said the utility told
16 her to sell her house and move when she complained
17 about the water.

18 OPC notes that in the utility's letter of
19 April 24, 2020, the utility incorrectly stated that
20 OPC's letter of April 22nd attached duplicate
21 emails from customers. The truth is that OPC
22 attached separate emails from those customers sent
23 on separate dates or times. So those were not, in
24 fact, duplicates, but instead showed totally
25 different comments received by OPC from those

1 customers on separate occasions.

2 The customer comments received to date, even
3 after HC's alleged attempt to visit customers, show
4 continued complaints and dissatisfaction with both
5 the water itself and the level of communication and
6 responsiveness the customers received from the
7 utility.

8 On April 23rd, long after the utility claims
9 to have resolved the issues raised at the customer
10 meeting, customer Tamra Mathy advised OPC that she
11 continues to stand by the comments she voiced at
12 the customer meeting. Moreover, on April 26th, Ms.
13 Mathy disputed the representations in the utility's
14 letters about their alleged contact or attempts to
15 contact her.

16 In fact, the utility conceded their employee
17 never even attempted to knock on Ms. Mathy's door,
18 supposedly because they didn't see a vehicle at the
19 property, so they simply assumed no one was in the
20 house.

21 Moreover, in the utility's edited chart, which
22 was attached to its April 24 letter, the utility
23 added language which would suggest that Ms. Mathy,
24 quote, "personally informed them," end quote, that
25 her water was improved while at the same time

1 stating it appeared the customer was not home.

2 In our followup with Mr. Rendell, he informed
3 us that the statement attributed to Ms. Mathy in
4 that edited chart occurred sometime last year, not
5 after the customer meeting, and apparently not even
6 this year.

7 So on April 26th, Ms. Mathy reaffirmed her
8 water quality complaint, indicating they were, in
9 fact, ongoing, and saying that on the morning of
10 April 26th, before she wrote that email, she could
11 feel the aftereffects of the bad waters on her
12 skin.

13 Additionally, in its April 24 letter, the
14 utility selectively quoted from the customers'
15 emails and unfortunately failed to provide the full
16 context of those customers' communications. For
17 example, as to Mr. Ernhart, while he stated that
18 the water had been acceptable in the recent week,
19 he continued by saying, quote, that this has
20 happened before only to regress later, end quote.
21 And then he still had reservations about the rate
22 increase.

23 Also as it to Mr. Grassman, he stated the
24 water had changed for the better recently, but that
25 he still objected to the rate increase requested by

1 the utility.

2 And finally, last night, the customer
3 Arrowsmith, who spoke at the customer meeting,
4 emailed our office a photo of a water filter he
5 installed last week, and the filter is already
6 brown. As further proof of the inconsistent
7 service to which HC's customers have been subjected
8 for a long time, he requested permanent relief from
9 the discolored water, not simply an alleged
10 solution that lasts only a few days or weeks.

11 In the utility's letter of April 9, they
12 asserted that the majority of the customer comments
13 made at the customer meeting referenced the January
14 event. This was a repair event apparently of a
15 tank. However, I was at that meeting, and I
16 reviewed the video again recently, just last --
17 night before last, and many customers described
18 years of poor water quality. Not a one-time
19 January event. The very first speaker said January
20 was just the most recent time the water was black
21 and that the water came out of his tap smelly,
22 black and at low pressure, quote, many times before
23 that event.

24 So, in fact, 13 of the customers who spoke,
25 just the majority, specifically mentioned years of

1 poor water quality, so their complaints were not at
2 all limited to the January black water event. The
3 customers have suffered years of uneven service,
4 not knowing from one day to the next if the water
5 will be brown, or rusty, black, milky or hurt their
6 skin when they shower.

7 Two speakers mentioned having attended the
8 customer meeting before the last HC rate increase,
9 and suggested the problems were the same. And, in
10 fact, one question, why does PSC keep having the
11 meetings if it won't act on the complaints other
12 than to raise rates?

13 So in addition to the poor water quality, the
14 customers who spoke at the customer meeting
15 discussed poor customer service. The second
16 speaker stated that when the January black water
17 event started, she called the utility four times
18 without receiving any response. And that several
19 months before the January event, when she
20 complained of the odor of sewage and water bubbling
21 up from the ground the utility repeatedly told her
22 the fault was her pipe. But after months of
23 accusing her, when they finally came to dig up the
24 pipe, they found the problem was, in fact, a
25 utility pipe, not her pipe. So again, she -- she's

1 the one who stated that the utility told her to
2 sell her house if she didn't like the water.

3 So additionally, you know, four -- four
4 speakers complained about never getting the boil
5 water notices.

6 The chart attached to the April 9 letter
7 states the utility failed to make direct contact
8 with five of the 15 customers they attempted to
9 visit. And of the 10 customers they did speak to,
10 five still had complaints, including two who stated
11 the water quality was still poor. One described it
12 as, quote, horrible. One said it was still rusty.
13 And two used even more colorful language to
14 describe their dissatisfaction.

15 So respectfully, we ask that you exercise your
16 judgment here to assess a more robust penalty in
17 this case, where the evidence shows the quality of
18 service remains unsatisfactory. We also request
19 that withhold a rate increase until the quality of
20 service is found to be satisfactory on a consistent
21 basis, rather than the fluctuation in water quality
22 the customers have reported for the several years
23 now while HC has owned this system.

24 While the staff recommended an ROE basis point
25 reduction of 50, OPC request the penalty be set at

1 100. OPC also requests the Commission reduce or
2 eliminate corporate officer compensation until the
3 water quality is found to be consistently
4 satisfactory over time.

5 And finally, OPC request the Commission deny
6 the rate increase until the water is -- the water
7 quality is found to be consistently satisfactory.

8 The Commission's precedent includes cases
9 where the Commission required satisfactory service
10 before a rate case could take effect, and we
11 believe the OPC's requests are modest, considering
12 your precedent also includes ordering decreased
13 rates for the utility where its quality of service
14 was determined to be unsatisfactory in similar ways
15 to this, meaning black water and odor.

16 Just one example is the Summertree, one of the
17 UIF Summertree orders, 2014-0025, where that one
18 system Summertree received a decrease when other
19 systems got increases.

20 Also the utility has attempted to deflect
21 attention from its service deficiencies by suggesting
22 that OPC should do the utility's job of coming up
23 with engineering solutions for its water quality
24 problem. This is more than just a red herring,
25 because the utility knows that it's if the OPC

1 litigates this issue, then the cost of the
2 utility's experts and the cost of the utility's
3 attorney's fees will likely be forced onto the
4 customers' bills. As such, the utility made that
5 statement in its most recent letter only under
6 circumstances where it faced absolutely no
7 financial risk.

8 Moreover, the statutes are clear that it's the
9 utility's obligation and not the responsibility of
10 anyone else to come up with the solutions to the
11 deficiencies identified by the Commission.

12 Additionally, the utility claims that it is
13 being subjected to an alleged double penalty,
14 because in addition to the ROE reduction
15 recommended by staff, the utility requested
16 apparently a lower revenue requirement than the one
17 ultimately calculated by staff. But the utility is
18 wrong that this could be considered a double
19 penalty. The 50 basis point penalty is not
20 reflected in the revenue requirement and has no
21 effect on the revenue requirement that's
22 calculated, therefore, there is no double penalty
23 this in this case.

24 And last, OPC requests the Commission consider
25 disallowance of all or part of the Lake Josephine

1 upgrades, water treatment plant upgrades of
2 \$547,980 because the staff rec on page three
3 describes the problem as the utility not being in
4 compliance with Florida Administrative Code Rule
5 62-555.350(2), which requires the utility to
6 maintain its system components in the operating
7 compliance.

8 A utility's failure to properly maintain its
9 system should not subject the customers to
10 unreasonable costs. And the Lake Josephine repairs
11 were not covered under a consent order.

12 To conclude, OPC requests that you find the
13 utility's quality of service to be unsatisfactory,
14 assess a penalty of at least 100 basis points for
15 the utility's unsatisfactory quality of service,
16 withhold officer and director salaries until the
17 quality of service is found to be consistently
18 satisfactory, and deny a rate increase until the
19 quality of service is found to be consistently
20 satisfactory. And we also request that you
21 consider disallowing all or part of the costs for
22 the Lake Josephine's upgrades to 62-555.350(2).

23 So we thank you on behalf of OPC for your
24 deliberations in this docket.

25 CHAIRMAN CLARK: Thank you, Ms. Morse.

1 Okay. At this time, we would like to
2 recognize Highlands County Commissioner, Greg
3 Harris. Mr. Harris are you on the line?

4 COMMISSIONER HARRIS: Yes, I am. Good morning
5 to you, and thank you for having me.

6 CHAIRMAN CLARK: Yes, sir.

7 COMMISSIONER HARRIS: On behalf of the Board
8 of County Commissioners of Highlands County, which
9 desires to preserve the health, safety and welfare
10 of the citizens in our community, and particularly
11 in my district, District 5 Highlands County, I
12 would like to reiterate the primary point of
13 information that has been provided for the Public
14 Service Commission by our chairman, our county
15 attorney and customers of HC Waterworks.

16 As you know, a customer meeting was held
17 February 20, 2020, and approximately 20 customers
18 spoke at the customer meeting. Many of the
19 customers' comments are summarized in the
20 April 6th, 2020 letter, provided by Ms. Joy Cook --
21 Joy Carmichael, Highlands County Attorney. These
22 customers' comments included statements about black
23 water, odor like sewage, water in every color and
24 white like milk. The customers also asked the
25 Public Service Commission to deny approval of a

1 rate increase until HC Waterworks improves the
2 quality of their water.

3 In a letter dated April 12th, 2020, HC
4 Waterworks stated that HC Waterworks had conducted
5 a survey of customers following the February 20th
6 meeting, and that the customers had said that their
7 quality of water had improved. However, as noted
8 in the letter from Mr. Ron Handley, Chairman of the
9 Highlands County Board of County Commissioners,
10 dated April 26th, 2020, the Office of Public
11 Counsel has continued to receive reports from
12 customers with complaints about water containing
13 sediment, a strong odor and discoloration. In
14 addition, the South District office of the
15 Department of Environmental Protection also has a
16 list of complaints from customers.

17 In every rate case proceeding, the Commission
18 is required to make a determination of the quality
19 of service provided by the utility by evaluating
20 the quality of the utility's water and the
21 utility's attempt to address customer satisfaction.
22 The Commission is also required to consider any
23 testimony, complaints and comments of the utility's
24 customers and others with knowledge of the
25 utility's quality of service.

1 Our board is concerned about the health and
2 welfare of our citizens who are HC Waterworks
3 customers, and who have complained have experienced
4 undrinkable water for a significant length of time.
5 Therefore, on behalf of those citizens, the Board
6 requests the following:

7 No. 1, prior to granting approval of the rate
8 increase, the Commission will conduct an
9 investigation into the quality of water provided to
10 the HC Waterworks customers at the point of entry
11 into the customer's property and require HC
12 Waterworks to appropriately remediate the quality
13 of the customer's water.

14 And No. 2, following the remediation of the
15 quality of the customer's water, the Commission
16 will consider a phasing in of the rate increase
17 over a period of years to minimize the financial
18 hardship to the HC Waterworks customer base.

19 Thank you for that opportunity, and I would
20 like to read one letter that I did receive
21 yesterday, May 4th, from one of the customers. It
22 says: Dear sirs, my husband and I are very much
23 against the water department raising their price.
24 At present, we use 3,000 gallons of water, and our
25 bill is \$50.57. We live on a fixed income and

1 cannot afford to pay more for water. If it was
2 good water, it might warrant a small raise, but the
3 water is cloudy, smells and not drinkable as far as
4 we are concerned. On top of paying a water bill,
5 we have to buy bottled water to drink, and have
6 double filters on the water that we use for
7 cooking. Please do not let this raise happen. The
8 last meeting that was held was in the evening, and
9 a large amount of seniors do not drive in the dark.
10 Thank you for whatever you can do.

11 I appreciate that opportunity. And we are, as
12 a commission, very, very concerned about these
13 residents.

14 CHAIRMAN CLARK: Thank you, Commissioner
15 Harris.

16 All right. Mr. Rendell, final comment,
17 address concerns?

18 MR. RENDELL: Yes, Commissioner.

19 Yeah, we obviously disagree with Public
20 Counsel on the quality of service. We also
21 disagree with the finding that it is
22 unsatisfactory. The majority of the work, as the
23 staff has acknowledged in the recommendation, was
24 required specifically by either DEP or Highlands
25 County. It was specifically installed to address

1 customer complaints, which we acknowledge has been
2 going on for several years, even prior to when Aqua
3 purchased it, and then prior to when the current
4 owners purchased it.

5 The water quality is good. It's clear. My
6 utility manager went to each home to the residents
7 that spoke at the customer meeting and found that
8 the water was clear. The residuals were good, and
9 were told several times by several customers that
10 the water has improved. He went back down there
11 and met with them again, and they said it was --
12 had continued to improve.

13 He went and visited the customers that Office
14 of Public Counsel identified in their letter just
15 recently, just last week and also found that it was
16 clear and filtered good.

17 At this point, Mr. Deremer, he wants to
18 respond to the commissioner of Highlands County.

19 MR. DEREMER: Yes. You know, I spent a fair
20 amount of time myself in that system as well, and,
21 you know, the customers -- for the majority of the
22 customers, they really didn't have problems. I
23 think the customers that are having the most
24 issues, or had the most issues in the past, are the
25 ones that are in these areas where they are very

1 sparsely populated. So the water age in the line
2 is -- the water is old, right? So we've looked at
3 those areas. I think as all we can do at this
4 point as far as trying to install flushing systems
5 and monitor that.

6 I was down there last week and talked to the
7 operator, went out and looked at the field, and I
8 could not find myself water that was discolored.

9 The system that we constructed there is almost
10 identical to the system that we constructed for the
11 FUA in the Aqua system, which was the system that
12 originally was the cause, or the result of the FDEP
13 rule change relative to hydrogen sulfide, which
14 requires a technology of forced draft aeration with
15 some pH modification in order to try to remove that
16 sulfer from the water and prevent reformation in
17 the system.

18 So the technology that we deployed in the
19 system, and I would say is it was probably the most
20 effective employment of capital this system has
21 ever seen, is to put a system in there that is a
22 proven technology to remove all of the hydrogen
23 sulfide.

24 So we are not seeing levels of, you know,
25 hydrogen sulfide, or water that's not clear in

1 these systems. There are some specific interest --
2 or instances when customers in that system have a
3 galvanized service line. The utility has also went
4 out and installed some new service line on the
5 utility side of the meter to eliminate galvanized
6 piping, which we thought might also be a problem
7 with discolored water, and we put in a number of
8 new service lines down there. But we do -- have
9 noted that a number of services from the meter to
10 the customer's residence are also galvanized
11 plumbing, and we theorize that maybe the customers,
12 in some cases, could be picking up some color
13 through that galvanized service line.

14 In addition, we took the customers that had
15 complained at the customer meeting and did
16 grouping, and went out into the system and pulled
17 secondary analysis, water samples in certain areas
18 to try to capture any kind of degradation in the
19 system, and we have those results. We can send
20 those to the Commission staff and OPC. The results
21 do not show any exceedance in secondary water
22 standards.

23 So we believe the utility has done what's been
24 prudent. Again, I do apologize that the customers
25 have suffered for a long period of time. We have

1 made a very substantial investment in improving the
2 water quality in the area. We will continue to
3 investigate each and every complaint that comes in
4 to see if we can't, you know, find a way to help
5 the customers resolve those.

6 I do know that some of those customers
7 probably would require some work on the customer
8 side of the meter in order to improve, further
9 improve their water quality, and we would be happy
10 to discuss that with those customers on an
11 individual basis.

12 CHAIRMAN CLARK: All right. Thank you, Mr.
13 Deremer.

14 All right. Turning to Commissioners,
15 beginning with Commissioner Graham.

16 COMMISSIONER GRAHAM: Thank you, Mr. Chairman.

17 Before we go to the other Commissioners, I had
18 a quick question for the utilities.

19 I am looking at your -- your billing records,
20 your billing complaints, and I guess I don't
21 understand why you still have so many billing
22 complaints. I mean, even back when Aqua owned it
23 in 2015, there was only 56 in that year, and now
24 you are still, back in 2019, you are still over 50.
25 What is going on with your billing problems?

1 MR. RENDELL: Commissioner Graham, this is
2 Troy Rendell.

3 I personally respond to the ones that are
4 filed with the Public Service Commission. And also
5 I respond to the ones that -- from the customers,
6 like, there is one customer in Leisure Lake they,
7 you know, the specific question to me.

8 The majority of those, the vast majority are
9 not complaints. They are questions. They are
10 concerns. They -- for instance, their water went
11 up to 3,000 gallons, when normally they don't use
12 that. I consistently explained, because, you know,
13 the \$1,000 -- we bill in 1,000 gallon increments,
14 and it's not going to roll over until then. Once
15 it does, you know, you are going to be billed for
16 those.

17 So the majority of the complaints, one of the
18 issues I personally have with characterizing even a
19 contact the Public Service Commission a complaint.
20 The majority of them are concerns. And the
21 majority of them, I personally take care of.

22 We do give credit. Oftentimes we give credits
23 when credits aren't due. We do give credit on leak
24 adjustments. So I don't believe that there are a
25 high number of true complaints. There is a lot of

1 inquiries on high bills. There are times when a
2 ERT will go bad and we have to backfill for a
3 number of months because we are getting ER
4 readings, and we go out investigate those every
5 three months or so, because the reality is not for
6 us to investigate monthly because people may not be
7 there in the summer. So there are complaints on
8 when we backfill, but we do it pursuant to
9 Commission rules. So in my mind, they are not
10 truly billing complaints.

11 COMMISSIONER GRAHAM: Thank you.

12 CHAIRMAN CLARK: Thank you, Commissioner
13 Graham.

14 Other Commissioners have questions?

15 Commissioner Brown.

16 COMMISSIONER FAY: Mr. Chairman.

17 COMMISSIONER BROWN: Thank you. I have a
18 question for the utility, and I appreciate, you
19 know, this is a complicated system. And I
20 understand that you -- you inherited it from Aqua,
21 you know, at a discount. And I also understand
22 your commitment to investigate every complaint to
23 resolve their particular issue, whether it's on
24 their side of the meter or yours, you know. And
25 the staff recommendation is recommending a 50 basis

1 point reduction. And we are seeing the voluminous
2 amount of complaints still on the water quality.

3 How can we kind of gather all of this is that
4 is presented before us and continue to achieve a
5 better water quality on the individual side of the
6 customer end?

7 You have got 949 residential customers. I
8 don't know what the percentage is on the
9 complaints, but I appreciate your commitment to
10 resolving each of their complaints, but how do you
11 think you can go about doing that on their end?

12 CHAIRMAN CLARK: Commissioner Brown, was that
13 addressed to staff or to the company?

14 COMMISSIONER BROWN: The company, please.

15 CHAIRMAN CLARK: To the company.

16 Okay, Mr. Rendell, Mr. Deremer.

17 MR. DEREMER: Yeah, this is Gary Deremer.

18 You know, I think it starts by trying to
19 investigate each one of these complaints. And we
20 are -- we have been very proactive in -- in many of
21 the systems we -- that we own or operate and going
22 beyond the meter, which is typically not the
23 attitude of most utilities. So, you know, I have
24 personally been involved in cases, you know, on
25 behalf of the customers, like at Summertree, an

1 example, where another system with black water, so
2 we are very familiar with the problem.

3 So I think the commitment to try to work with
4 these customers regardless of whose -- whose water
5 pipe might be causing the problem, I think it's
6 probably out of the industry norm, and we are
7 certainly committed to do that. I have met with,
8 over the years, many customers help them resolve
9 water quality problems that they have been
10 suffering with for a long period of time.

11 You know, I think that any of the complaints
12 that we have that have come in, you know, we will
13 make sure that we do what we can to try resolve
14 them. I gave the example of the service line,
15 which was a good -- an example.

16 Another example that we've seen throughout the
17 state, especially customers subjected to long-term
18 water quality problems related to hydrogen sulfide,
19 are things like interior to their property, their
20 hot water tanks need to be cleaned out or flushed.
21 That's another example that -- where we go to the
22 line on the curb and the water quality is good, but
23 inside the house it's not good. And a lot of times
24 that's related to things like the hot water tank.
25 So we are certainly committed id to meet with each

1 one of these customers and see if there is a
2 resolution that we can come to.

3 We do believe, like I say, the technology that
4 we have deployed and all the work that we have done
5 down there, and everything that I have seen myself,
6 that we have the best treatment system that we
7 could -- that we could -- that we could deploy for
8 this situation. However, we are always going to be
9 dealing with long water ages, so, you know -- and
10 in those kind of cases, those are results of water
11 age which you lose residual.

12 So the system's own characteristics, the way
13 it's constructed, will always require an extra
14 effort on the utility in order to try to maintain
15 water age less than three or four days. So that,
16 coupled with the fact that the system is on
17 chloramine disinfection which degrades over time
18 because of disinfection byproducts. I don't want
19 to get too technical here, but it requires a lot of
20 attention in order to keep the water fresh.

21 COMMISSIONER BROWN: Well, Mr. Polmann loves
22 that technical nature, so feel free to continue on.

23 MR. DEREMER: Well, sure. Sure. So what
24 happens is, is you have fire protection in these
25 areas, and you have such a sparse customers base,

1 and then because the rates are so high, people want
2 to use less water, right?

3 So again, we have talked about how the utility
4 has mitigated rate increases, you know, by a number
5 of measures, including, you know, what the base
6 rate expense is compared to other utilities.

7 So, you know, the rates being high actually
8 adversely affect water quality because people don't
9 want to use the water, or can't afford to use the
10 water, which then causes the water to get older in
11 the pipe. And because this system is so sparse, it
12 requires a lot of flushing, like I said.

13 When the water treatment system that was
14 constructed previously didn't work well, the
15 utility was actually flushing 27 million gallons a
16 year on the ground in order to try to keep water
17 quality acceptable to the public. The new system
18 that's in place right now, that flushing has been
19 dropped to just four million gallons per year. And
20 that's a result of taking out all of these sulfides
21 at the plant.

22 So recognizing -- so recognizing that the
23 system has a battle, a continuous battle over water
24 age, we have a very intensive flushing program
25 still, which have automatic controls, and we have

1 residuals every day. I have looked at all that
2 data. The residuals, since the new system has been
3 holding -- I mean, when we talk about residuals, I
4 mean, chlorine residuals -- has been holding up
5 very nicely, much better than it has in the past.
6 So we have a number of matrix that we look at to
7 determine water quality in the distribution system,
8 which is where a lot of --

9 COMMISSIONER BROWN: Mr. Deremer, I appreciate
10 all of that, and, you know, I just -- I -- I hope
11 and I wish that you can communicate that maybe in a
12 more effective manner to your customer base,
13 because it's helpful from us, as regulators, to
14 hear how your attempt at flushing and the other
15 matrix and mechanisms that you have to address the
16 water quality issues are going, but it won't help
17 unless you communicate that with your customers so
18 that they understand the complicated nature of the
19 overall system.

20 I mean, Summertree, they had an
21 interconnection that kind of remedied all of those
22 issues. This is -- you are not dealing with that
23 issue here. You have got to kind of be creative
24 and figure out how to deal with it. And you are
25 doing that, so -- and it sounds like you are trying

1 to.

2 I mean, I hear the customers complaints about
3 some of the -- the OPC's allegations about your
4 representatives responses to customer complaints.
5 I hope you pay more attention to this particular
6 system. Systems like this need a little bit more
7 attention.

8 And so the one thing that I can emphasize to
9 you as a regulator, and you know this, just pay a
10 little more attention to a system like this nature,
11 give more customer service, and be more patient
12 with these customers as you explain what you are
13 doing.

14 CHAIRMAN CLARK: Thank you, Commissioner
15 Brown.

16 Commissioner Polmann.

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

19 A couple of comments in general, so let me
20 first ask some specific questions. I am just
21 looking at my notes here.

22 Mr. Deremer, you answered some of the
23 questions that I had in your response to
24 Commissioner Brown. Let me ask you about the
25 pressure complaints. I see a number of those here

1 mentioned in our agenda materials. What can you
2 tell me about those, or Mr. Rendell?

3 MR. DEREMER: This is -- this is Gary Deremer.

4 You know, as far as pressure complaints, there
5 have been some line improvements. There were a
6 number of service line improvements that dealt with
7 specific areas. But I think, from a general
8 standpoint, pressure in the system, part of the
9 improvements were to address pressure. And what we
10 did is, at the Lake Josephine system as well as at
11 the Leisure Lake system, where the two water plants
12 are, is we installed hydropneumatic systems for a
13 more consistent delivery to the customers.

14 Previously, those systems were removed by
15 Aqua, and the high service pumping equipment that
16 was there was running off of a program with a PLC
17 with a BMD type drive and automatic pressure
18 system. For a system this small, any kind of small
19 interruptions can cause an immediate loss of
20 pressure because there is no pneumatic system in
21 order to assist with providing continuous pressure.

22 So about \$170,000 of the investment was
23 specifically targeted to improve pressure that also
24 has resulted in some energy efficiencies as well.

25 But we -- you know, if we have any other specific

1 complaints of a resident on pressure, we would be
2 happy to look at them as well. We are not aware at
3 this point of any areas that have a pressure issue.

4 COMMISSIONER POLMANN: When did you add those
5 tanks?

6 MR. DEREMER: We added those tanks with --
7 well, the latest one just went into service about
8 maybe a month ago, and the one previous to that
9 probably was maybe six months ago.

10 One of the things that we have considered in
11 addition to that is ensuring that, you know, when
12 we are running these flushers, that nothing is
13 running concurrently, and there could be -- you
14 know, I would have to look at what pressure
15 complaints specifically, but there could be another
16 cause of pressure complaint as a result if somebody
17 is located very close to a flushier, we try to run
18 those at night, maybe that come on and reduce
19 pressure. But we could look into that further if
20 we have an address.

21 But I reiterate that pressure consistency
22 across the system has been significantly improved
23 as a result of the new pressure system that we put
24 in.

25 COMMISSIONER POLMANN: Understood.

1 With regard to the galvanized pipe, do you use
2 any type of corrosion inhibitor, or has that been
3 considered?

4 MR. DEREMER: The system doesn't use a
5 corrosion inhibitor at this time. We could
6 consider that in the future. You know, we haven't
7 had, you know, issues with what you typically see
8 relative to a measurement of corrosion for lead and
9 copper, but I think it's -- it could be considered
10 in the future if we have a fair amount of
11 complaints.

12 I think that -- you know, I think it's very
13 few at this point as far as complaints over rusty
14 water from color. I think the previous complaints
15 were mostly as a result of hydrogen sulfide, which
16 is more of a black or brown color. But we can look
17 at that. We have deployed it in the past in other
18 systems that have been helpful in controlling some
19 of that.

20 COMMISSIONER POLMANN: Okay. A follow-up on
21 Commissioner Brown's question. And, Commissioners,
22 I would like to ask the utility to take some
23 specific action and hopefully give us some
24 additional information. And this ties into
25 something that I -- that I think would be very

1 helpful in addressing a matter of the public trust,
2 and that is this: The utility is currently making
3 a significant effort on an important matter, and
4 that is at the meter trying to -- if I understand
5 it, trying to identify the water quality issues,
6 the secondary water quality issues on the utility
7 side of the meter compared to what's going on on
8 the customer side. And for example, Mr. Deremer
9 identified certain circumstances in which there is
10 galvanized pipe, for instance, on the utility side
11 and in certain cases they have replaced them.

12 So if there is a water quality complaint that
13 is suspect to be related to the plumbing, I would
14 request that an investigation be done to determine
15 a cause, and if it's a physical cause, that that be
16 documented, and that periodically that the utility
17 report back to us. And I will leave that to staff
18 to come up with an appropriate way and types of
19 information that would help us understand that.

20 But importantly -- and here's, I think, the
21 most -- the more important thing with regard to
22 customer satisfaction, and -- and this would be to
23 increase customer education and customer feedback,
24 and customer trust, and that is when the utility is
25 addressing customer complaints on a case-by-case

1 basis, where you are taking action in the field to
2 investigate water quality, that you document that,
3 and then provide in some appropriate manner
4 information out to your general customer population
5 that documents that you had a complaint on a water
6 quality basis and you have done an investigation,
7 and what did you find and what did you do about it?

8 So the information that you are providing to
9 us, you are also creating customer education
10 items -- and you have to figure out how to address
11 the privacy matter. But nonetheless, what I
12 perceive is a lack of trust from your customers in
13 terms of not just the taste and odor, but the
14 health issue, and I am not suggesting that the
15 secondary water quality is our health matter. We
16 understand that. But you are lack in public trust
17 and you are going to get complaints ongoing,
18 because you have taste, and odor, and color, and so
19 forth.

20 You know, we are we are going to have a
21 penalty here, and you are going to want to figure
22 out some way to overcome that, and we can talk
23 about that here later on in this discussion. But
24 this is one way that I am going to be looking for
25 documentation as to how you are going to address

1 the customer satisfaction.

2 So I open that up here, Mr. Chairman, for some
3 commission discussion. But if I may have a few
4 more minutes, Mr. Chairman, or I will yield the
5 floor.

6 CHAIRMAN CLARK: Go ahead, Commissioner
7 Polmann, if you are -- we have other Commissioner
8 comments, but if you need to go ahead, that's no
9 problem.

10 COMMISSIONER POLMANN: Well, my other
11 comment -- let me just check here.

12 Well, I wanted to respond to OPC, and these,
13 again, are things for Commission discussion.

14 I just -- I would say a number of the comments
15 from OPC, but then on the other hand, not all of
16 them. Their notion of disallowing the capital
17 improvements. If staff wanted to make a comment
18 there, I don't understand how we can disallow the
19 capital improvements and expect that it would be
20 reasonable for the utility to address the water
21 quality concerns and achieve customer satisfaction
22 on water quality without the -- without the capital
23 improvements. You know, I think -- I think the
24 utility would have an opinion on that, but I just
25 want confirmation from staff, that they are

1 recommending the capital improvement recovery.
2 From what I can see, it's just -- it's just not
3 logical that they are going to achieve water
4 quality improvement without -- without the capital
5 improvement, so that's just one substantive issue.

6 CHAIRMAN CLARK: I agree with you,
7 Commissioner Polmann, but let me get a
8 verification. I see some heads nodding, but I
9 think that that's a correct statement. There is no
10 attempted or planned reduction in capital
11 improvement allocations, correct?

12 MR. FUTRELL: That's correct. Mr. Chairman
13 and Commissioner Polmann, that's correct. Staff is
14 recommending that the capital improvements be
15 included in rate base and added to the revenue
16 requirement increase.

17 CHAIRMAN CLARK: Okay.
18 Continue Commissioner Polmann.

19 COMMISSIONER POLMANN: I will yield there. I
20 have got general comments --

21 CHAIRMAN CLARK: Okay.

22 COMMISSIONER POLMANN: -- I have to say.
23 Thank you, Mr. Chairman.

24 CHAIRMAN CLARK: All right. We will come back
25 to everybody in a moment.

1 Commissioner Fay, did you have a comment?

2 COMMISSIONER FAY: Yeah. Thank you, Mr.

3 Chairman.

4 I appreciate Commissioner Polmann's comments,
5 and it sounds like he still has more to provide on
6 this, and, of course, give him significant
7 deference in these issues because of his -- his
8 knowledge. But I just -- I wanted to check with
9 staff, and it might be a legal question, but the --
10 Commissioner Harris in his comments and in his
11 letter made a few specific requests, but one of
12 them is that there would be a phased-in approach
13 for this rate adjustment.

14 Is there -- is there any sort of prohibition
15 to us doing that going forward? And then if the
16 Chair would allow, it would be appropriate to have
17 the utility respond to that.

18 MR. HETRICK: Mr. Chairman.

19 CHAIRMAN CLARK: Yes, Mr. Hetrick, is going to
20 address that question.

21 MR. HETRICK: Commissioner Fay and
22 Commissioners, there is a legal issue associated
23 with the phasing that the County has recommended in
24 terms of the recovery in this instance. To my
25 knowledge, the Commission never phased recovery of

1 projects already completed. I appreciate the
2 concern about phasing, but legal issues having to
3 do with potential confiscatory action and takings
4 issues associated with phasing in this instance
5 persist.

6 I have asked Jennifer Crawford to address this
7 legal issue and the case law on this in a little
8 more depth. And Mark Futrell and Andrew Maurey can
9 pitch in from a technical perspective to give a
10 well rounded response to this question.

11 COMMISSIONER FAY: Thank you.

12 MS. CRAWFORD: Commissioners, this is Jennifer
13 Crawford.

14 Mr. Hetrick is correct. The Florida Supreme
15 Court has stated that a public utility is entitled
16 to just compensation or a fair rate of return on
17 the value of its property used or useful in the
18 public service, and to now allow that would deprive
19 a public utility company of its property in
20 violation of federal and state constitution.

21 And that comes to us from the Keystone Water V
22 Bevis case, which is a 1973 Florida Supreme Court
23 opinion. And that also echoes principles that are
24 established in the U.S. Supreme Court cases of Hope
25 and Bloomfield, and some additional subsequent

1 Florida Supreme Court cases that also echo the same
2 sentiment.

3 The Commission has implemented phased-in rates
4 or step increases in a few cases, but that's always
5 been done in recognition that certain plant or
6 facilities weren't yet in commercial service, and
7 the idea is to balance the public interest by
8 showing rate payers we are not paying in rates for
9 a plant that's not yet used and useful in public
10 service, but also giving the utility timely rate
11 recovery without, you know, having to come in for
12 an additional rate case once those facilities were
13 placed into service.

14 And so the concern I would have here about
15 phasing in rates under these circumstances would be
16 that if the Commission required a utility forego
17 its opportunity to earn a fair, just reasonable
18 rate for its projects that are completed and
19 currently in service, I think I would be concerned
20 that that would appear to run afoul with the
21 Florida and U.S. Supreme Court jurisprudence in
22 cases like *Keystone V Bevis*, and *Hope* and
23 *Bloomfield*.

24 COMMISSIONER FAY: Thank you. I appreciate
25 that.

1 And if Mr. Futrell has something to add, it's
2 great, but my question has been answered.

3 CHAIRMAN CLARK: He has nothing to add.

4 All right. Thank you, Commissioner Fay.

5 I have just a couple of comments, observations
6 and a question. I guess, Mr. Rendell, I am going
7 to address this to you or Mr. Deremer, either one,
8 but the nature of operating a rural water system
9 brings its own inherent challenges, understanding
10 the demographic of Highland County, I think this
11 system serves about 1,300 customers, seems to be
12 fairly small.

13 Could you estimate the number of customers per
14 mile that you are serving in the most remote areas,
15 where you seem to be having the biggest problems,
16 can you give me a number there?

17 MR. RENDELL: Yes, Commissioner, I am going to
18 tee this up for Mr. Deremer, but if you want to
19 point out one thing in HC, there is two separate
20 systems. One is what we call the Leisure Lake and
21 one is the Lake Jo.

22 Leisure Lake is a very small, cohesive system
23 that we have an extremely good relationship with
24 the customers. As a matter of fact, I personally
25 met with these customers six times at their HOA

1 meetings to explain this treatment type. This has
2 been going on prior to the 2015 case.

3 We did go down. We presented them, you know,
4 what the prescribed treatment methodology would be,
5 and also what the impacts to the rates would be.
6 At the time, they were against it. They did not
7 want us to do it because of the impact on rates.

8 Then a couple of things sequentially happened.
9 One is Highlands County forced us to replace a main
10 based on one of their road projects. So we had to
11 spend half a million dollars on that. Then DEP got
12 involved. DEP wanted us to, like, work
13 expeditiously on the Lake Josephine because of
14 customer complaints and also disinfectant
15 byproduct -- they wanted us to put it in quick.

16 Then they weren't typically satisfied with
17 the -- with the timeframe, although we had to go
18 out for bid, we had to order the parts. So what
19 they did on the Leisure Lake is required through a
20 consent order.

21 Lake Josephine, on the other hand, is very
22 sparsely populated. It's spread out. I can also,
23 you know, testify that when I was with Aqua, we
24 were -- we were ordered by the Commission to set
25 meetings with the Lake Josephine and the Leisure

1 Lake people. We would -- arrange for that purpose.
2 OPC would attend, but the customers did not attend.
3 We had maybe three customers come to those
4 meetings, which was directed by the Commission to
5 address water quality in Lake Josephine.

6 So I am not making excuses. I'm just telling
7 you the perspective that it's very difficult
8 because there is no organized group in the Lake
9 Josephine area. When our operator does go out to
10 address water quality, he typically will meet with
11 the customer or leave a door tag. He did leave
12 door tags just recently on these last visits.

13 So I just wanted to give that perspective, and
14 Mr. Deremer can kind of explain the characteristics
15 of the customers and on where the lines are.

16 MR. DEREMER: So as Troy said, the -- I am
17 sorry, as Troy said, the attention and ease of
18 working with the homeowners' association in the
19 Leisure Lake system has, you know, have benefited
20 the utility and the customers well because we have
21 had the opportunity to meet with them and to really
22 thoroughly explain everything.

23 You know, the fact, referring more to, you
24 know, Commissioner Brown the Lake Jo group is hard
25 to, you know, get, you know, some cohesive customer

1 group together to try to champion our effort to
2 explain what the utility is doing.

3 With regard to Lake Josephine, I think that's
4 where all or most of your customer complaints are
5 coming from because of the sparseness of the water
6 range. And I can guess to directly answers the
7 question, but we can get back with you on the
8 number of feet per pipe, but there is areas where
9 we will have over a mile of pipe with one customer.

10 So it's just -- the water age that we are
11 dealing with in that system is going to -- is going
12 to be a substantial issue no matter what kind of
13 water quality is leaving the plant. And that's
14 further compounded by the diameter of the mains
15 which require fire protection.

16 So it's very, very sparse. I mean, I wasn't
17 exaggerating when I said there would be a
18 half-a-mile between some customers of pipe with no
19 usage.

20 CHAIRMAN CLARK: Mr. Deremer, that leads to my
21 question. What is the economic -- the viability of
22 continuing to serve a group of customers where your
23 density is less than two customers per mile? Is
24 it, in fact, feasible, and will you ever be able to
25 attain a quality of service for these customers

1 that we would deem acceptable, that the customers
2 would deem acceptable, is this even possible?

3 MR. DEREMER: Yeah, I think it's a challenge
4 for many systems. There is another system we own
5 that is very similar. Got miles of pipe and just a
6 few customers that it's very difficult.

7 And I think it's the -- the efficiency of
8 providing service under those circumstances is
9 certainly worth investigating, because it requires
10 the utility to essentially, you know, put water on
11 the ground and waste it in order to provide enough
12 water for -- enough residual to meet the
13 homeowner's property.

14 So I think over -- you know, when a lot of
15 these systems have been expanded, I think that
16 should be considered. Of course, in this case, you
17 know, it's something that was already in existence
18 when we purchased the system, and I think that --
19 you know, again, I think that there has been a vast
20 improvement by removing all of the sulfide. We are
21 just -- the residuals and those kind of things are
22 holding up with much less flush water.

23 But it's certainly something that should be
24 considered in the future, I would say. And in some
25 cases -- I worked on a project, I think it was Levy

1 County, where we found it to be the most economic
2 for the customers to get those people grants and
3 put them on their own private well, and to
4 eliminate the public water system.

5 I have seen, you know --

6 CHAIRMAN CLARK: We went a long way around to
7 me getting to what point. That's kind of where
8 we're -- I am headed with this, is at a point in
9 time, just because you inherited something or got
10 something in with the purchase of a deal doesn't
11 necessarily make it beneficial or good for the
12 entire consumer base.

13 And if we want to look at what's realistic
14 here in the best interest of all of the consumers,
15 it would seem practical to me that this portion of
16 the system needs to be reevaluated and
17 reconsidered, and as opposed to continuing to spend
18 tons of money on something that we are never going
19 to have satisfaction.

20 And I go back -- I believe Commissioner Brown
21 made the reference to your communication with the
22 customers. I think we keep setting ourself up for
23 failure here. We keep asking for, oh, when it's
24 going to get better? When's it going to get
25 better? I kind of -- I'm not going to look in my

1 crystal ball, but I don't see it getting any
2 better. I don't think you can spend your way out
3 of this problem, and I think you need to be
4 realistic and honest with your customers about this
5 and let's look for alternatives solutions instead
6 of continuing to waste money in this regard.

7 I will open it up to other Commissioners.
8 Questions?

9 Commissioner Graham.

10 COMMISSIONER GRAHAM: Thank you, Mr. Chairman.

11 Actually, this, I guess, a couple of questions
12 for the -- anybody from the County or County
13 Commission, if Commissioner Harris is still there.

14 CHAIRMAN CLARK: Commissioner Harris, are you
15 still with us?

16 COMMISSIONER HARRIS: I am.

17 CHAIRMAN CLARK: Commissioner Graham has a
18 question for you.

19 COMMISSIONER HARRIS: Yes, I am.

20 COMMISSIONER GRAHAM: Sir, have you -- has
21 your county commission talked to the utility as far
22 as trying to bring them in before your commission
23 and address some of these issues?

24 COMMISSIONER HARRIS: Yes, they have been in
25 before us.

1 COMMISSIONER GRAHAM: And what was the result
2 of that?

3 COMMISSIONER HARRIS: We are hearing the same
4 thing, yeah.

5 CHAIRMAN CLARK: Which would be --

6 COMMISSIONER HARRIS: I understand -- I
7 understand -- I understand their challenges, too,
8 but, you know, it's not getting any better, and we
9 are getting conflicting statements from the utility
10 as per the OPC and per the letter that I got
11 yesterday.

12 So, you know, our whole -- we felt as a group
13 that it was -- it was prudent for us to make a
14 statement on behalf of these customers because they
15 have been saying it for years and years and years,
16 and that's why we took the action that we took.

17 COMMISSIONER GRAHAM: Well, I mean, I am just
18 speaking for myself, that the utility comes across
19 as being pretty sincere to me as far as trying to
20 address a lot of these issues. Things I know work
21 better localized, and I appreciate the fact that
22 both of you, and some of your other -- other people
23 from your county commission are on the line and
24 involved in all this.

25 I just -- as Commissioner Polmann said

1 earlier, a lot of this comes down to the dialogue.
2 I think if -- it's a shame that only 35 people
3 showed up to the customer meeting that they had,
4 and I think you would learn -- a lot -- a lot of
5 you realize, I think, if you had a meeting with
6 more people there actually listening to the utility
7 and some of the challenges they are going through,
8 and some the changes that they are making.

9 I mean, I appreciate where the utilities come
10 from back when Aqua owned them, because I had the
11 huge experience when I got here 10 years ago, and I
12 appreciate the challenges that the utility dealt
13 with and the changes that they have made. I
14 just -- I think there is a dialogue issue that's
15 here right now.

16 And as I am sure your county attorney would
17 tell you, you guys with can actually take the
18 utility and take completely control of all of this
19 if that's what your commission chose to do. There
20 is probably a lot of moving -- moving parts to this
21 if you guys are willing to put your arms around it
22 and do it out in Highlands County.

23 CHAIRMAN CLARK: I would like to follow up
24 with Commissioner Graham's statement with another
25 question.

1 I understand the utility has an obligation to
2 serve these areas, but is there any mandate on the
3 water side that requires a customer to take service
4 if it's available, or is that a -- is that a
5 decision at this level, or is that a county level
6 decision?

7 MR. BAEZ: That sounds like a county level.

8 CHAIRMAN CLARK: So the mandatory -- mandatory
9 take of service would be a county issue.

10 MR. BAEZ: Right.

11 CHAIRMAN CLARK: So we are looking for
12 solutions here. An option is the county, if you
13 have a mandate that they must take service, they
14 could lift that, people put their own wells in, get
15 off this system, and that would resolve some of the
16 issues too, correct?

17 MR. DEREMER: Okay. Okay.

18 MR. BAEZ: Well, I am no engineer, and I don't
19 even want to play one on TV, so the question of
20 whether it would resolve issues or not --

21 CHAIRMAN CLARK: Sure, no understood.

22 MR. BAEZ: -- I can't speak to that, but, yes,
23 that it becomes --

24 CHAIRMAN CLARK: Well, you spoke just like a
25 lawyer then.

1 MR. BAEZ: There you go. But one or the
2 other. I don't think you want either way with me.

3 Yeah, that -- it's at least an alternative.
4 It's a self help, you know.

5 CHAIRMAN CLARK: Okay. That's what I meant.

6 MR. BAEZ: But that is a county issue, to
7 answer your question.

8 COMMISSIONER GRAHAM: No, I mean, that's
9 pretty much it. The dialogue that I was trying to
10 bring up is how active and how involved the county
11 is, and if they -- because it's -- and I guess it's
12 more for Mr. Hetrick to speak to it. I think all
13 the county really would have is declare that they
14 want to take over the water services for the
15 county, and they could wholeheartedly just take it
16 all. I mean, I just -- and I am not trying to punt
17 this. I am just -- maybe that's what the solution
18 is. But once again, when you have over a thousand
19 people that are customers here and only 35 show up,
20 that's just -- I mean, that's not a big flag
21 waiving to me.

22 CHAIRMAN CLARK: All right.

23 COMMISSIONER BROWN: Not that it's going to be
24 better if the county takes it over.

25 MR. RENDELL: Commissioners, if I may.

1 CHAIRMAN CLARK: Okay. Identify yourself.

2 MR. RENDELL: Sorry, Mr. Chairman. This is
3 Troy Rendell again.

4 It is true the county can take back
5 jurisdiction; however, they are still, by statute,
6 required to follow 367.081 in setting rates. So
7 they would still be -- they would basically be put
8 in your shoes as the decision-maker.

9 One thing we are cognizant of is rates. And
10 if this was to be protested, then the rate case
11 expense could be a couple hundred thousand dollars
12 that's going to be passed on to the customers.

13 There was an item earlier today that you guys
14 voted on was over \$100,000 in rate. Ours is around
15 7,000. So we purposely -- you know, we looked for
16 ways, we go -- we went out and got a low interest
17 loan to make these improvements where we could have
18 put in all the equity, but the rates would have
19 been higher.

20 We met with the Highlands County. We
21 explained this to them when we were required to
22 relocate our main. Mr. Deremer, he actually was
23 instrumental in when they actually purchased the
24 Aqua systems, and he worked with Highlands County
25 who did not let FUA come in. If they would have

1 continued that way, they would have been over the
2 rate ban. They were under a rate ban, but they
3 were being subsidized from other systems.

4 So I don't know if Mr. Deremer wants to
5 elaborate on that or not.

6 MR. DEREMER: Yeah, I think -- one, let me say
7 that we are completely open, willing and it would
8 be a good thing for us to spend more time with the
9 county with regard to this system. I have helped
10 local government by probably more than 100
11 investor-owned systems across the state.

12 So we are -- we are open to whatever is best
13 for the customers. When -- when the system was
14 offered to Highlands County from Aqua, when that
15 transportation was done, a number of the counties,
16 Sarasota County, Desoto County, who represented
17 those counties and had simultaneous closings so
18 they could take those systems within their
19 jurisdiction and incorporate them.

20 That same offer was given to Highlands County,
21 and the county, at that time, decided they didn't
22 want to be in the utility business.

23 The FUA offer was given to Highlands County,
24 which would have kept these customers on a rate ban
25 which essentially subsidized their rates. The

1 county -- Highlands County decided to not allow FUA
2 to keep the system in the grouping with the other
3 systems around the state.

4 But, look, that's water under the bridge. We
5 are certainly willing to work with the county in
6 any way, either to keep the system, to try to, you
7 know, sell the system, to pick the specific
8 customers within the system that are very
9 problematic.

10 I think the majority of the system is okay
11 relative to water age, but there is certainly some
12 outlying event where customers require, from an
13 economic standpoint, more water cost for flushing
14 than the utility can possibly make in the sale of
15 water to that individual customer.

16 Our involvement with the county has been on
17 behalf of the customers. When the county widened
18 the road and told the utility to move their line,
19 we went and, you know, before the county commission
20 to ask if there was any way that that could be
21 included in the project, that the negative effect
22 on rates for these customers was severe, especially
23 considering the other projects that were planned,
24 including these water quality plant improvement.

25 We asked the DOT for a grant to try to help

1 these customers so they wouldn't have to fund that
2 waterline replacement on Lake Josephine Drive.

3 So our -- we have met with the county on that
4 one occasion. And that occasion, we were not
5 successful in getting any relief from the county or
6 the DOT. Therefore, unfortunately, the customers
7 have now, in this rate case, have those expenses
8 proposed in rate.

9 So -- but we are -- we are very willing and
10 able to sit with them, with the county, and do
11 whatever we can do to try to help these customers.

12 MR. RENDELL: And real briefly, and then I
13 will finish.

14 The Leisure Lake, we did meet with them
15 several times. They eventually said we want you do
16 it. Hardly -- I don't believe any Leisure Lake
17 customers showed up at the customer meeting,
18 because they are very satisfied with the water. We
19 provide them very good water. They are very happy.
20 They understand, and they are very supportive.

21 As far as well drilling, we actually have
22 customers doing the opposite, getting off their
23 well, because the water quality in Highlands County
24 unfortunately is bad. They are actually coming to
25 us wanting to take the wells off of service because

1 the water -- the water they are pumping out of the
2 ground is not good. So we are actually seeing the
3 reverse trend; not going off the system, but
4 actually coming on to the system.

5 With that, I will --

6 CHAIRMAN CLARK: Troy, let me ask you a
7 question there. Is that in your dense areas, or is
8 that in your sparsely populated areas? That's my
9 whole point.

10 MR. RENDELL: It's sparsely populated.

11 CHAIRMAN CLARK: Okay. I concede that point.
12 Commissioner Polmann.

13 COMMISSIONER POLMANN: Thank you, Mr.
14 Chairman.

15 Mr. Chairman, I think you took the discussion
16 to a very interesting place that I don't recall we
17 have entertained in prior dockets, and I think the
18 issue you raised I will frame this way: If we --
19 if we are in a circumstance where we believe there
20 are technical -- technically feasible alternatives,
21 the question comes down to whether there is a
22 viable utility business that can operate in service
23 to the public.

24 And in this particular case, with the Lake
25 Josephine system in particular that we are looking

1 at, reflecting Mr. Rendell's comments just a moment
2 ago, there are water quality issues in parts of
3 that system where you have water age problems
4 because of the location of some of the customers
5 and, therefore, deteriorating disinfectant
6 residuals and so forth.

7 His point also on people abandoning their own
8 wells and coming onto the system is because the
9 Floridan aquifer system has abundant water, but
10 some of it is really poor. I think the utility,
11 from our discussion here today, has done a good job
12 in trying to address the hydrogen sulfide problem
13 with their upgrades, and there is very good
14 potential, very good expectation that that's
15 just -- that's resolving the problem, and what they
16 are facing now is really a plumbing issue in the
17 distribution system that we have just been talking
18 about.

19 So that discussion really comes down to and we
20 are not going to answer it here today, but maybe
21 going forward the utility can look at is there some
22 way to identify those portions of the utility
23 distribution systems that somehow could be
24 segregated and maybe only serve a portion of the
25 Lake Josephine customers?

1 I am just saying a hypothetical here. And I
2 don't know if that means, as Mr. Rendell identified
3 one of the systems -- I forget which utility he
4 mentioned, but that a grant was provided for those
5 customers to, you know, set up private individual
6 wells, and so forth. But again, that water quality
7 there in the aquifer system is just very poor.
8 They would need on-site treatment and so forth.

9 Anyway, the point being, as I mentioned in one
10 of our prior items here, the Commission is becoming
11 more and more pointed in addressing water quality
12 concerns, we are taking an increasingly more
13 serious look at the distribution systems. The
14 ownership by the utility of the distribution
15 systems is the operation, maintenance, management
16 and the consequences to the customer satisfaction
17 and quality of service. And this is particularly
18 important with regard to our authority. And you
19 see here the penalty that we are talking about in
20 this case. And in order for that to be resolved
21 going forward, there really has to be something
22 done by the utility to address that.

23 So from what I hear, there is a very
24 significant challenge in these sparsely populated
25 portions. I don't -- I really don't have, as the

1 Chairman indicated, a great deal of hope that all
2 of the complaints -- all of the water quality
3 concerns can be addressed without wasting water, as
4 Mr. Rendell indicated, Mr. Deremer indicates a lot
5 of flushing. So hopefully there will be something
6 else that can be addressed -- that can be pursued.
7 I don't know what it is.

8 I don't know how much further, Mr. Chairman,
9 we can discuss this particular matter. I think we
10 have identified a number of different things. I
11 suggested detailed investigations to keep us
12 informed; heightened customer education, and so
13 forth.

14 I am not trying to close out the issue. I
15 think it's a very interesting discussion that we've
16 had. I appreciate the utility openly discussing
17 their involvement with the county. And, again, Mr.
18 Chairman, you have raised a very interesting
19 problem, and I hope there is an opportunity for
20 some creative thinking going forward. I don't know
21 what the technical solution is, but if there is
22 one, it's either wasting water by flushing or
23 it's -- thank you, Mr. Chairman.

24 CHAIRMAN CLARK: Thank you, Commissioner
25 Polmann.

1 Any other comments?

2 Commissioner Brown.

3 COMMISSIONER BROWN: Mr. Chairman, again, I
4 appreciate the dialogue that we've had here. Very
5 interesting as well.

6 I think what we have before us, though, is a
7 docket that needs to move forward. We have
8 expenses that need to be allocated for, because
9 there is a situation with the utility that has --
10 is trying to remedy the situation that we have.
11 We've talked about it ad nauseam.

12 I do think that the utility should be on
13 notice that they should engage the customers in a
14 better fashion, whether it be more dialogue, but I
15 think as part of the motion that I am prepared to
16 make, Mr. Chairman, is to have the utility work
17 with the customers as well as Office of Public
18 Counsel in continuing to address water quality
19 issues under Issue 1. So that is going to be part
20 of my motion.

21 But I do think we need to move forward. I
22 think we can talk about this maybe in another
23 forum, maybe it be in Internal Affairs, maybe we
24 have a separate dialogue. Maybe we have staff meet
25 with the utility and Public Counsel and maybe the

1 county on how we can maybe come to some type of
2 different arrangement that would be satisfactory to
3 all parties.

4 But with that, Mr. Chairman, I would move
5 approval of all issues with the caveat that, under
6 Issue 1, the utility work with customers and Office
7 of Public Counsel continuously to address quality
8 of service issues, engage both customers and Public
9 Counsel in that dialogue.

10 CHAIRMAN CLARK: Okay. Commissioner Brown has
11 moved approval of all items, staff recommendation
12 on all the items with the caveat to No. 1, that the
13 utility be required to work with the customers and
14 the Office of Public Counsel to resolve the quality
15 issues and communication.

16 COMMISSIONER POLMANN: Second.

17 CHAIRMAN CLARK: I have a second.

18 Are we clear on the motion? Who is recording
19 the motion all right.

20 All right. Any discussion on this item?

21 All in favor, say aye -- let's go around.

22 Commissioner Graham?

23 COMMISSIONER GRAHAM: Aye.

24 CHAIRMAN CLARK: Commissioner Polmann?

25 COMMISSIONER POLMANN: Aye.

1 CHAIRMAN CLARK: Commissioner Brown?

2 COMMISSIONER BROWN: Aye.

3 CHAIRMAN CLARK: Commissioner Fay?

4 COMMISSIONER FAY: Aye.

5 CHAIRMAN CLARK: All right. By your vote, the
6 item is approved.

7 That, ladies and gentlemen, concludes all of
8 the items that are before us today. Thank you for
9 your continued patience, and I hope that everyone
10 that wanted to be heard was able to be heard today,
11 and we look forward to seeing each of you in the
12 next couple of weeks as we continue to meet this
13 way.

14 Thanks. Have a great day. This meeting is
15 adjourned.

16 COMMISSIONER BROWN: Miss you guys. Bye-bye.

17 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

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

IT IS FURTHER CERTIFIED that I
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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,
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financially interested in the action.

DATED this 15th day of May, 2020.



DEBRA R. KRICK
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