

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 130194-WS

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN LAKE COUNTY BY
LAKESIDE WATERWORKS, INC.

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 17

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, November 25, 2014

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
State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

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

2 CHAIRMAN GRAHAM: Number 17.

3 MS. WATTS: Commissioners, Item 17 is the
4 application for a staff assisted rate case by
5 Lakeside Waterworks, Inc. Lakeside serves 187
6 water and 176 wastewater customers in Lake County.

7 On Friday, November 21st, the Office of Public
8 Counsel, Lakeside and the Shangri-LA by The Lake
9 Homeowners' Association filed a joint motion
10 requesting that the Commission approve a settlement
11 agreement signed by the parties which has been
12 provided to your offices.

13 Commissioners, Mr. Steve Reilly is here on
14 behalf of the Office of Public Counsel and would
15 like to address the Commission. Mr. Troy Rendell
16 is here on behalf of the utility to answer
17 questions. And the President of the homeowners'
18 association, Mr. Jim Mull, is also present and
19 would like to address the Commission.

20 Staff is available for any questions.

21 CHAIRMAN GRAHAM: Mr. Reilly.

22 MR. REILLY: Good morning, Chairman Graham,
23 Commissioners. Steve Reilly with the Office of
24 Public Counsel appearing on behalf of the customers
25 of Lakeside Waterworks, Inc. Also appearing is

1 Mr. Jim Mull, who is President of the Shangri-LA by
2 The Lake Homeowners' Association.

3 Almost two weeks ago, utility representatives,
4 including Gary Deremer and Troy Rendell, met with a
5 large group of customers in the service territory
6 at the Shangri-LA by The Lake clubhouse. During
7 the over two-hour meeting, the utility provided
8 information about Lakeside Waterworks' approach to
9 service and plans for improvements to the utility's
10 facilities. There was also a lengthy question and
11 answer session where the company provided answers
12 to the customer's questions.

13 As a result of this face-to-face meeting, I
14 believe the customers gained a better understanding
15 of how the utility plans to improve service to the
16 utility, and I think the utility gained a better
17 understanding of the customers' concerns,
18 particularly as to the affordability issue.

19 The two primary results pretrial this meeting
20 were, number one, the company's commitment to
21 consult with the customers to prioritize and
22 finalize the utility's plans to improve service for
23 the utility. And, number two, the company's
24 commitment to implement a lesser Phase I rate
25 increase that would not include recovery of the

1 operating ratio for water and wastewater service
2 during the first year of the rate increase.

3 So basically that's what's before you today,
4 is a joint motion by the utility and the customers
5 to approve this phasing in of the rate increase,
6 which is proposed by the staff's recommendation.

7 I think Mr. Mull would also like to add a
8 comment or two at this time.

9 CHAIRMAN GRAHAM: Mr. Mull.

10 MR. MULL: Commissioners, thank you. I
11 appreciate this opportunity to come before you.
12 Actually a lot of what I was going to say he has
13 already said, so this will be brief. I do
14 represent, I feel I need to be here of course as
15 the President of the homeowners' association.

16 Shangri-LA by The Lake is a 55 plus community.
17 Within it, we represent the largest part of the
18 customer base for Lakeside water. And again, it is
19 a 55 plus plus community. Just this past Friday,
20 one of the gentleman had his '93rd birthday, and he
21 is a World War II veteran, and we take our hats off
22 to him.

23 But anyway, so I am here to you. Everything
24 that you have said is kind of what I was going to
25 bring up. There is one item, though, that was

1 brought up at that meeting. And at that meeting,
2 there was a good atmosphere between the customers,
3 I think, and Lakeside water. And we would come
4 away from that meeting a little bit better, that
5 they were going to work with us as best they could.

6 We understand that a rate increase is coming,
7 it's just, you know, obviously it's going to impact
8 a lot of people in a very big way because of their
9 limited, limited incomes. And we ask for
10 compassion, and I ask for compassion on your part
11 too.

12 One of the things that was mentioned brought
13 up again at that meeting, and I don't believe it's
14 in writing, but they agreed that the service
15 meters, water meters and the irrigation meters not
16 be stacked.

17 MR. REILLY: Obviously, you have an inclining
18 rate, so the rate changes after 4,000 gallons. And
19 I think it was clarified at the meeting that the
20 gallons that are flowed from the water that goes
21 into the home would be one set of gallons, and that
22 the irig -- there are -- many of them have
23 irrigation meters, and they would be separately
24 calculated. There would not be a stacking, or the
25 adding of the gallons on the one meter with the

1 other to push it into a higher rate.

2 That was one important issue to the customers
3 to make it more affordable. That was in
4 concurrence with the company, and so we thought, to
5 the extent it was not clarified, what that might be
6 good to vote out today, and I think that's what he
7 is talking about.

8 MR. MULL: And which it was verbally agreed
9 upon. But anyway, I thank you very much for this
10 opportunity to come before you, and just ask that
11 as we -- these are our citizens and this is --
12 senior citizens, especially, who will be deeply
13 impacted by this.

14 Thank you.

15 CHAIRMAN GRAHAM: Lakeside.

16 MR. RENDELL: Good morning, Commissioners.
17 Troy Rendell on behalf of Lakeside. I am here to
18 obviously support the motion and the settlement,
19 and answer any questions.

20 We agree with the non-stacking. I am assuming
21 that's how staff calculated the rates. If I am
22 wrong, I guess I stand corrected, but that's the
23 way I believe that they have calculated and that's
24 the way we intend to bill.

25 CHAIRMAN GRAHAM: Thank you.

1 It's good when a rate case comes before us and
2 everybody is sitting next to each other, as I say,
3 singing Kumbaya. It makes it a lot easier for us,
4 and it's a lot easier all the way across the board,
5 especially the customers understand the financial
6 needs you have for running your utility.

7 Commissioner Brown.

8 COMMISSIONER BROWN: Thank you. I am not all
9 Kumbaya about the settlement agreement, though.

10 First, about that modification regarding the
11 irrigation. Would that be a separate meter that
12 would need to be installed, Mr. Rendell?

13 MR. REHWINKEL: Yes. They -- this was
14 addressed by the Commission in an order several
15 years ago, where the previous owner had to install
16 these irrigation meters on some irrigation lines
17 that had been installed by the customer. So they
18 are already in existence.

19 The question came up at the customer meeting
20 back in September, when the staff did a customer
21 meeting, on would they have a base facility charge
22 in addition to the gallonage. I went back and
23 researched the orders and, you know, made staff
24 aware that, you know, it had previously been voted
25 on, and so the staff has addressed it on page 35.

1 COMMISSIONER BROWN: Okay. Thank you.

2 And I would like to acknowledge that the new
3 owner is at least appearing from the recommendation
4 and from the documentation to be making
5 improvements.

6 I have a question for the Office of Public
7 Counsel, and then, of course, for the homeowners'
8 association.

9 But looking at the settlement agreement, Mr.
10 Reilly -- and you always strive to protect the best
11 interest of the customers, and you do that in such
12 a good way, and you always point out issues to our
13 staff that brings to light to us, and we are so
14 appreciative of that. But this is roughly \$9,000
15 foregoing, \$9,000. There are some serious issues
16 in this. Notably, my big issue in this is the
17 management services agreement, which is about
18 70,000 -- \$73,000 for the contract alone for a
19 small utility with less than 200 customers, when
20 their annual revenues from the test year are
21 74,000.

22 How -- I don't see how that's inherently fair
23 to these customers. How is foregoing \$9,000 in the
24 best interest for just one year, based on the
25 totality of circumstances of this case?

1 MR. REILLY: As far as defending the contract,
2 I would yield to the company on that. I think your
3 staff wrote pages and pages and pages of
4 documentation as to why they felt this
5 comprehensive level of service of a 41-page
6 contract was --

7 COMMISSIONER BROWN: For a Class C utility.

8 MR. REHWINKEL: Again, you are putting me that
9 place to try to defend the contract, and I really
10 don't want to do that. What I will do is defend
11 the Public Counsel's role in this whole process.

12 We were faced with a staff recommendation that
13 was a 72.79 percent water increase and a 103
14 percent increase. That was in August. We filed a
15 number of letters chipping away issue after issue
16 after issue, and progress was made. Some of the
17 issues we raised in our letters to staff to look
18 further into it made progress. So we have made
19 progress in terms of what the -- what was
20 recommended by staff back in August until the rate
21 increase for water went down to 56 percent and 88
22 for wastewater.

23 Obviously, you are right. We looked closely
24 at this contract. And we raised many, many issues
25 as to why -- we really, at one point, tried to

1 develop an argument, that because of the small
2 number of customers, could it be somehow scaled
3 back --

4 COMMISSIONER BROWN: And I am going to get to
5 Mr. Rendell after.

6 MR. REHWINKEL: Yeah, into a rate what I
7 call -- I always call it a gold contract versus a
8 bronze contract. Of course, I think the company
9 never felt comfortable about being contracting as a
10 gold contract.

11 COMMISSIONER BROWN: This is diamond.

12 MR. REILLY: So if we could carve out some
13 kind of a -- but really, whether you are doing
14 services for a very small contract utility, or even
15 a larger one, many of the same things still have to
16 be done. So, you know, if it be the will of this
17 Commission to basically carve out a separate type
18 of contract that U.S. Water would work --

19 COMMISSIONER BROWN: No. No. And the issue
20 is, I had with staff, was I asked them to be able
21 to support the recommendation. I said, how can you
22 do an apples to apples comparison from your, you
23 know, you are comparing -- you know, they went to
24 FGUA's contracts, there is just no comparison,
25 especially at this level.

1 And then I said, well, did they do -- and Mr.
2 Rendell, I will ask you, again, it makes me
3 concerned to see a contract that's \$73,000 a year
4 when you are only getting \$74,000 in revenue.
5 That's just one aspect of -- and I understand that
6 the overall revenue requirement that the staff is
7 approving is 120,000. This settlement agreement is
8 eight -- I mean, it's nothing. It's \$9,000. It's
9 really nothing.

10 And I applaud you for trying to work with the
11 customers, and trying to work with the Public
12 Counsel, and the fact that, you know, you haven't
13 had a rate case increase since 1994. And there are
14 going to be pro forma improvements that will need
15 to be made on top of this revenue requirement here
16 that you are seeking.

17 My big concern is, though, Mr. Rendell, is how
18 can you ask these customers to subsidize a \$73,000
19 contract a year? There is less than 200 customers.
20 And did you look at possibly seeking less services?
21 I mean, usually in the range of 10 to 15, 10 to
22 \$20,000 for management for a utility of this size.

23 MR. REHWINKEL: Sure, and I am glad you
24 brought that up, because we have had one case
25 before this on LP.

1 COMMISSIONER BROWN: That settled.

2 MR. RENDELL: Correct, and we have three more
3 pending. But I have worked very closely with the
4 Office of Public Counsel. We have offered to bring
5 them down.

6 The way these cost models are done, it's based
7 on cost, and they are very bareboned, they don't
8 recover all the costs and also all the services
9 provided. Many of those are subsidized actually by
10 U.S. Water, and they are not charged by the
11 utility.

12 These particular ones in question, the
13 operator, the cost involved is just 0.1 percent of
14 an operator, which is four hours a week. It's not
15 even a full-time operator. The maintenance is 0.12
16 which equates to 5.12 hours per week, but it also
17 includes are other services. They -- it's a
18 portion of the vehicles, a portion of the
19 computers, but it also provides for the billing and
20 the meter reading, the collections. There is an
21 accountant that does all the accounting for all the
22 regulated utilities which currently is at 13. So
23 there are many other services that's provided as a
24 part of this cost. It is very bareboned, and, like
25 I said, there are some services, there is some

1 environmental services, some compliances that are
2 not charge to these utilities because of their
3 size, because we are trying to keep that cost down.

4 COMMISSIONER BROWN: Well, can you talk about
5 the relationship, though, with U.S. Water? And I
6 understand that some of the members are also
7 associated with U.S. Water. And I also understand
8 that it's hard to get bidders because of the
9 services that you are requiring.

10 My concern is that this closely affiliated
11 company that is doing business with the utility,
12 it -- I mean, the fact that we can't produce -- I
13 have asked staff, give me some comparables. Give
14 me something so that I can support the
15 recommendation, and I -- they have been unable to
16 do it.

17 MR. RENDELL: Sure, and the comparables -- and
18 I know that they looked at the FUA cost with the
19 wet com study, but the comparables actually come
20 with the AWWA study. That's nationwide association
21 of regulated utilities across the United States.
22 And the information that I -- the documentation
23 that I provided showed that these costs per
24 customer less than utility across the United
25 States, and those AWWA studies do make break it

1 down by the number of customers, and they look at
2 below, I believe it's 5,000, between 5,000 and 10,
3 so there is that comparison that meets the Florida
4 Supreme Court standard that --

5 COMMISSIONER BROWN: Threshold -- we are
6 talking a large -- again --

7 MR. RENDELL: Correct.

8 COMMISSIONER BROWN: -- it's not apples to
9 apples, and that's my concern. Thank you for your
10 explanation.

11 Can I just ask you, Mr. Mull, how many home
12 owners do you represent in your homeowners'
13 association?

14 MR. MULL: Within the -- well, Shangri-LA by
15 The Lake Mobile Home Park is a privately owned
16 park, so the HOA does not control, or not everyone
17 in the park is a member. We currently have about
18 140 members within the park itself. I should know
19 the number, but there is only 130 some homes in
20 there within the park.

21 COMMISSIONER BROWN: So do you represent all
22 the customers?

23 MR. MULL: We still represent all -- even as
24 the HOA, we represent all of the residents within
25 the Shangri-LA by The Lake Mobile Home Park. There

1 are, of course, customers outside of the park,
2 which is Eagles Point on one side. There is one
3 street developed there. There is a whole area to
4 be developed, and so forth, and then there is
5 another street --

6 COMMISSIONER BROWN: Thank you. I got it.

7 Commissioners, I appreciate the discussion
8 that they have provided to us, but I can't support
9 this settlement agreement. I think it doesn't go
10 far enough.

11 If we had this PAA, I would have really liked
12 to scrutinized the contract. I think it's
13 inherently unfair to have a contract that is
14 \$73,000 for a customer base less than 200 customers
15 per water, per wastewater. It's just absurd.

16 I know U.S. Water is a reputable company.
17 They provide great services to Florida customers
18 throughout, but based on the size of this utility,
19 I just think it's ludicrous to support it so I will
20 be voting it no.

21 CHAIRMAN GRAHAM: Commissioner Balbis.

22 COMMISSIONER BALBIS: Thank you, Mr. Chairman.

23 I have a couple of questions for OPC and a
24 representative of the HOA, but I just want to
25 follow up on Commissioner Brown's concerns.

1 You know, I agree that the costs associated
2 with the contract seems excessive. My question for
3 Commissioner Brown, are there specifics within the
4 contract that you reviewed that, if going through
5 the step-by-step issue-by-issue process, you
6 would -- you would deem imprudent and remove and go
7 through that process, or is it just a general
8 concern?

9 COMMISSIONER BROWN: And this is, I think,
10 part of my frustration, is that I asked staff to be
11 able to provide me an analysis of another like
12 management services agreement of a utility
13 similarly sized, and they were unable to do so, or
14 even a company of this size with services that U.S.
15 Water provides so that we could compare it to see
16 if it's reasonable, and they were unable to do so.
17 So I couldn't provide a recommendation to the
18 Commission, and hence, my frustration, because I
19 just know it's inherently unfair, but I don't have
20 a solution.

21 COMMISSIONER BALBIS: Okay. And I certainly
22 know what that frustration feels like.

23 Question for staff, specifically on the U.S.
24 Water contract -- and I know we had discussions
25 about it during my briefings. Who developed the

1 scope of work for the contract? And did staff
2 review the scope to ensure that those services were
3 necessary or reflected the market that's out there?

4 MR. BARRETT: Commissioner, Michael Barrett of
5 staff. Your question might be better suited to Mr.
6 Rendell, but I will let you know where we are.

7 We -- when the company filed its case with us
8 in the -- we got a copy of the contract at that
9 time. It had already been filed. The scope of
10 work was detailed in the contract. We had no input
11 on framing the contract in any way.

12 COMMISSIONER BALBIS: Okay. Did you compare
13 the scope of work with that contract to similar
14 services, or services that would need to be
15 required -- that would be required for a Class C
16 utility?

17 MR. BARRETT: The -- via a data request
18 process, we asked the company, actually the Office
19 of Public Counsel and some in some of the
20 documents, the back and forth, that the Office of
21 Public Counsel asked the company to provide to us
22 some contracts that were for other utilities,
23 but -- and we did look at those, they are
24 confidential. I can't discuss the specifics of
25 those contracts, other than to tell you, in the

1 cover letters that accompanied each of those, they
2 described the scope of each of those, there were a
3 total of four. And of those four, none of them
4 provided the exact, or even very similar services
5 as the contract that Lakeside -- receiving the same
6 services that Lakeside is receiving.

7 COMMISSIONER BALBIS: Okay. Well, then maybe
8 I will turn to Mr. Rendell.

9 Who developed the scope of services for the
10 U.S. Water contract, and how was it developed?

11 MR. RENDELL: The scope of services were
12 developed by the shareholders of the utility, who
13 is also the shareholders of the U.S. Water. But
14 they sit down and looked at what services are
15 required for each individual utility.

16 Some of the items that -- and we did provide
17 some similar contracts, but they are different,
18 because the utilities that U.S. Water also provides
19 these services for that are also regulated, they
20 already -- they have employees. They have their
21 own accountant. They do their own billing. They
22 do their own meter reading. So they are very small
23 contracts. We just go by -- go by the water plant,
24 do the -- pull the testing for the water plant, and
25 make sure that the water plant is running okay.

1 The same thing with wastewater. So they are very
2 nominal services.

3 Some of the items that I did discuss with
4 Office of Public Counsel, and we have had assume
5 numerous discussions about the contract. There are
6 services that are included in the contract that
7 could be pulled out, like testing, where the
8 utilities, they still would have to test, but there
9 would be an invoice where the utility would pay for
10 it. But that's included in the contract, so
11 although it would be pulled out of the contract, it
12 would still be a cost for that utility where you
13 could trace the invoices, but the cost would be
14 recorded in a different account.

15 The billing obviously has to be done. Someone
16 has to read the meters, sends out the bills,
17 collect the payments, that's part of the contract
18 which is about \$2.50 per month per bill on that
19 services.

20 There are also repairs and replacements up to
21 \$400 that are included in the contract. Now, that
22 could be pulled out. But when they are made, the
23 utility will still have to pay for them, and they
24 would still be recorded in another account. So
25 there is still an expense to the utility, they just

1 wouldn't be part of this contract.

2 I know there is concern about the amount of
3 it, but, you know, this utility has not been in for
4 a rate case, so they haven't had a full rate case
5 before the Commission to fully examine all the
6 expenses that are required for a utility this size.

7 COMMISSIONER BALBIS: And I don't -- I am
8 certainly not questioning the need for rate relief,
9 especially since they have yet to come before us.
10 But I think where you have the unusual situation of
11 extremely affiliated parties participating, I think
12 it warrants an additional level of scrutiny. So I
13 am just trying to get my hands around the scope of
14 work, because the main driver of this entire rate
15 case is that contract, which is operating and
16 maintaining the entire system, so I understand, but
17 I am just trying to become more comfortable with
18 those controls.

19 And maybe, Office of Public Counsel, if you
20 could like to comment on this, because you are
21 presenting us with a settlement agreement that --

22 MR. REILLY: Well, we have been very concerned
23 about the contract. We share, obviously,
24 Commissioner Brown's concerns. It is the driving
25 force of this case. As you know, the standard is,

1 when you have an affiliated transaction like this,
2 it is not, per se, unreasonable if the cost of the
3 affiliated company is less than or equivalent to
4 what would be gotten from an unrelated party.

5 So with that standard in our mind, you will
6 look through this record and you will see numerous
7 letters, inquiries, discovery. We have been very
8 actively, you know, looking at this contract. We
9 looked at the AWWA, and when you -- and then you
10 look at the scope of the work. Are there things in
11 this contract that, you know, shouldn't be there?
12 And when you have a little small maw and paw
13 operation, a lot of the things that are in this
14 contract don't get done and don't get compensated.

15 But for me to sit here and say, in this 41
16 pages, we are going to throw this out, this out,
17 this out, this out, was harder for me to come in
18 and make that argument. That was not
19 necessarily -- so that was the approach I was
20 taking.

21 And then, after we went through all the
22 national studies and said we can't really make a
23 credible case that this is not equivalent to it, I
24 said, give me all your contracts of regulated
25 Florida -- that are not affiliated and just look at

1 those contracts. When we look at those -- those
2 are confidential and we won't get into the
3 specifics of it. The main reason why we could not
4 use those contracts today at agenda is they were so
5 narrow. I mean, they just went in there with their
6 company and would run the plant and would walk
7 away. It wasn't the billing. It wasn't all the
8 other, you know, the other, arguably, services that
9 may well be required.

10 So it was hard for me to -- you know, I always
11 like to come in here and have a credible argument
12 to tackle which is the issue, which is the
13 contract. And my sense of balance and everything
14 said, you have these small customers, how can we do
15 it? And we did try very hard to -- I guess they
16 obviously -- they being U.S. Water -- has a lot of
17 utilities, and I guess from a management
18 standpoint, they want a certain bit of uniformity
19 to what they are offering. And I don't know
20 whether we have an opportunity to delay, you know,
21 but that's why we weren't -- didn't have the
22 concrete argument to come to you to tackle it head
23 on.

24 We are still just as concerned, and yet we had
25 this practical problem of, you know, these people

1 paying more money, so I think it was a combination
2 of what we were phasing it in. But even more
3 important that's facing this company isn't the base
4 charge and contract which is, you know, still -- we
5 are still at about, since they don't use a lot of
6 water, around 56 -- \$56 a month. Water and
7 wastewater service under \$60 a month, which is a
8 little on the high side, but nothing like the kind
9 that I believe the poor customers who have 80, 90
10 and \$100 water bills that we see here.

11 So another thing that we were working on this
12 case was not just this rate increase we have today,
13 but a waste water plant, which is facing some real
14 issues, and several lift stations that have some
15 serious issues. So what are we going to do to
16 address that? And what are we going to do to keep
17 this from getting up to an unaffordable issue. And
18 we think we have something in the context of
19 this -- it's not in writing -- where this
20 particular U.S. Water and Gary Deremer are, you
21 know -- it was a very interesting meeting we had
22 down there of interchange of people understanding
23 each other, and I think we got commitments from
24 U.S. Water to not totally -- you know, to actually
25 bring in like a used, the best used plant that they

1 could get from the Keys to really save a lot of
2 money to these people, because the wastewater
3 plants down there right now, you can almost fall
4 through it in certain places because of the metal
5 deteriorating.

6 So I don't know. I think it's a combination
7 of the company being quite aware of the cost factor
8 and working with prioritizing, and keeping that
9 next rate increase down was part of our dialogue.

10 But, you know, we -- I would say, we struggled
11 and fought with this darn contract since
12 summertime. And it's -- you can look at the
13 record. We have really been working on it. And
14 other than just --

15 COMMISSIONER BALBIS: Can I interrupt you?

16 MR. REILLY: Yes.

17 COMMISSIONER BALBIS: Because I think you were
18 answering my question.

19 MR. REILLY: Okay.

20 COMMISSIONER BALBIS: And I appreciate all
21 that. I just wanted to focus on, you used the word
22 uniformity. And in the context of -- there weren't
23 any -- there weren't other similar contracts that
24 had that scope of work. But did you review the
25 individual specific costs like billing, for

1 example? And how did that compare with other
2 contracts that are out there and should be easily
3 available?

4 MR. REILLY: Our analyst did look at that and,
5 you know, I -- we were not -- here comes my
6 analyst. Thank you. Just in the nick of time.

7 UNIDENTIFIED SPEAKER: Commissioner, we were
8 never able to get detailed information on how the
9 contract was broken down by maintenance, by --
10 there was a little bit of information on how much
11 was charged for the operator, but there was no
12 detail based on the billing or the meter reading, I
13 don't -- maybe the meter reading, but there just
14 wasn't enough detail to do that. We tried.

15 MR. RENDELL: Commissioners, if I might
16 address that.

17 We offered to have OPC come down to our office
18 and step sheet by sheet with our cost model. I
19 mean, it's a very detailed cost model. It's
20 about -- it's an Excel spreadsheet probably close
21 to 20 tabs that details each one. We offered them
22 to come down and step through it.

23 We actually thought outside the box and said,
24 well, how would the OPC feel comfortable? Would
25 you like a separate company setup with no

1 affiliation with the shareholders? Would you like
2 the utility to go out and hire their own operators
3 and accountants? Would you like to go out and seek
4 contracts from other -- I mean, anything that would
5 get you comfortable, we offered each and every one
6 of those to OPC to get to a level of comfort.

7 I am comfortable, looking at how it was come
8 up, that it's very, very barebone. I would call it
9 more of a bronze than a gold standard. I think if
10 it was a gold standard, I think the costs would be
11 a lot more. And we don't want to charge the
12 customers more than what they really need to have.

13 COMMISSIONER BALBIS: Okay. Mr. Chairman, one
14 last question, change a lot of gears here for
15 Mr. Mull, I believe.

16 With this proposed rate increase, staff has
17 estimated that there is going to be a almost
18 20 percent reduction in consumption. I assume you
19 know your residents better than anyone else. Do
20 you feel that they will be able to achieve that
21 level of reduction?

22 MR. MULL: To be honest with you, no, I would
23 not. I know just myself, I mean, we use 2,000 to
24 3,000 gallons per month, unless we are irrigating,
25 and that's with two people. You know, how do you

1 reduce that?

2 And my place has been totally rebuilt. I
3 mean, I have low gallonage toilets and whatnot, and
4 all the plumbing changed and so forth. So I
5 honestly don't see how that would even -- me
6 personally.

7 COMMISSIONER BALBIS: Okay. And I had the
8 same concerns, and staff and I had debates back and
9 forth on it. And the end result is, yes, you do
10 reduce the amount of chemicals and power that you
11 anticipate using, but the rates are then designed
12 for that lower amount of flow, and it's going to
13 result in you paying more per gallon of water than
14 is needed.

15 So I don't know if there is a way that we can
16 address that and address the settlement agreement
17 at the same time, but I certainly think that a
18 20-percent reduction is unreasonable.

19 MR. MULL: Can I make a comment to some of the
20 comments that have been made?

21 One of the things that was pointed out to us
22 is that the waste plant is larger than it needs to
23 be and should be smaller, and so forth, and that --
24 and our community, normally there would only be one
25 lift station, and we have four, and so forth.

1 But my concern is that they bought this plant.
2 They knew what they were buying. They bought it
3 with very low capital, and yet we are going to be
4 the ones bearing the cost to upgrade this for them,
5 you know. I think there need to be more shared to
6 be honest with you.

7 CHAIRMAN GRAHAM: Commissioner Balbis, are you
8 done?

9 COMMISSIONER BALBIS: Excuse me?

10 CHAIRMAN GRAHAM: Are you finished?

11 COMMISSIONER BALBIS: Yes.

12 CHAIRMAN GRAHAM: Okay. This is where I am on
13 this issue. Mr. Reilly, you know, and Mr. Mull, I
14 guess you know now, I have always encouraged -- I
15 am invoice always encouraged the groups to get
16 together and have conversation, and to me, it's
17 always a good thing when you guys can work this out
18 on your own.

19 It's amazing how many different utilities that
20 come in here, specifically water utilities, and
21 there is so much disconnect, and the ratepayers
22 aren't even talking to the owner of the utility.
23 So I applaud the fact that you guys come together
24 with a plan that you put together.

25 With Commissioner Brown, I appreciate where

1 she's coming from on this. And I know it's always
2 difficult when there is a settlement, or agreement
3 in front of you to kind laser get in and start
4 cutting out things you don't like because you don't
5 know what one side gave up and the other side
6 agreed to, and the back and forth deliberation on
7 the settlement sort of thing. So I like the fact
8 that she was going to go no, and not just try to
9 get through and just start cutting away. I think
10 that's the way to work it.

11 For me, I am going to support this. I
12 encourage this type of behavior, and I am ready to
13 move forward. If I can get a motion for one
14 direction or the other.

15 MR. MURPHY: Commissioner?

16 CHAIRMAN GRAHAM: Yes, sir.

17 MR. MURPHY: If we are to go forward, there
18 was something that staff would need.

19 The agreement provides for staff to make
20 fallout adjustments for rates. Staff would also
21 need authority to reflect in the order that the
22 normal administrative things like tariff filings,
23 and tariff approval, and notices would apply, and
24 that would fall through to the closed docket issue,
25 that the docket would close administratively after

1 those things were approved. That's assuming that
2 you go forward.

3 CHAIRMAN GRAHAM: Commissioner Balbis.

4 COMMISSIONER BALBIS: Thank you, Mr. Chairman.
5 Just is a quick question for staff.

6 How easy would it be to, as a fallout issue,
7 change the regression from 19.91 to 10 percent, if
8 parties are agreeable to it or not?

9 STAFF: I believe we can make that
10 calculation. I have not tried to do that before
11 because we do use sort of a standardized format,
12 but I believe I can make that work.

13 COMMISSIONER BALBIS: Okay. Mr. Chairman,
14 that's the one adjustment that I believe would be
15 warranted. And it sounds like it would be easy to
16 do, and it's a net -- it's a neutral -- revenue a
17 neutral issue with the minor adjustments of the
18 chemicals and power.

19 CHAIRMAN GRAHAM: Are both OPC and Lakeside
20 okay with that amendment?

21 MR. RENDELL: The company is.

22 CHAIRMAN GRAHAM: OPC.

23 MR. REILLY: I believe so, yes. I think even
24 the repression may not apply to the first 4,000
25 gallons anyway, but that's fine with us.

1 CHAIRMAN GRAHAM: Is that your motion?

2 COMMISSIONER BALBIS: No.

3 Okay. Now I am ready for a motion,

4 Mr. Chairman.

5 Based on the lengthy discussion from both
6 parties, especially the Office of Public Counsel
7 that has done a thorough review, I am disappointed
8 and frustrated, like Commissioner Brown, that there
9 is, again, a lack of information. But in this case
10 a rate relief is warranted, and the fact that the
11 parties agreed to it gives me some comfort.

12 I do think any time we have those closely
13 affiliated transactions, there needs to be an
14 additional level of scrutiny, because there was no
15 other example of a closer transaction than this.
16 So hopefully going forward -- I know there is a
17 number of cases where this situation exists -- that
18 we are not in the situation again, where we do not
19 have that information.

20 And so with that, I move that we approve the
21 settlement agreement with the adjustment on Issue
22 9, changing the 19.91 percent to 10 percent, and
23 authorizing staff to make all of the adjustments on
24 the fallout issues.

25 COMMISSIONER BRISÉ: Second.

1 CHAIRMAN GRAHAM: The Balbis motion has been
2 moved and seconded.

3 Commissioner Brown.

4 COMMISSIONER BROWN: Thank you. And
5 Commissioner Balbis actually said everything that I
6 wanted to say, except I am going to vote no. And I
7 would like Mr. Rendell and U.S. Water to know that
8 for future dockets, which you have several coming
9 through the pipeline, and I know that we have
10 already had one that we had a settlement, this is
11 the second settlement agreement, that we will be
12 looking really closely at those, and be looking to
13 staff to provide us some other reasonable
14 comparison, so, moving forward, and with that, I
15 will be dissenting.

16 CHAIRMAN GRAHAM: Commissioner Edgar.

17 COMMISSIONER EDGAR: And just for clarity, the
18 motion does include approval of all items, however,
19 with the changes necessary to implement the
20 repression change and the settlement agreement.

21 CHAIRMAN GRAHAM: And staff's ability to do
22 the fallout.

23 COMMISSIONER EDGAR: Make all adjustments in
24 order to make it so.

25 CHAIRMAN GRAHAM: Thank you.

1 COMMISSIONER EDGAR: Thank you.

2 CHAIRMAN GRAHAM: Okay. It's been moved and
3 seconded. All in favor say aye.

4 (Chorus of ayes.)

5 CHAIRMAN GRAHAM: Any opposed.

6 COMMISSIONER BROWN: Nay.

7 CHAIRMAN GRAHAM: By your action, you have
8 approved the Balbis amendment for Item Number 17.

9 (Agenda item concluded.)

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA R. KRICK, Professional 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 4th day of December, 2014.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #EE212307
EXPIRES JULY 13, 2016