

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 140135-WS

APPLICATION FOR INCREASE IN
WATER/WASTEWATER RATES IN
PASCO COUNTY BY LABRADOR
UTILITIES, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 5

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JULIE I. BROWN
COMMISSIONER JIMMY PATRONIS

DATE: Tuesday, May 5, 2015

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

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Now we'll go back to Item
3 No. 5.

4 Okay. Staff, let's attack this one.

5 **MS. BUYS:** Commissioners, I'm Penelope Buys
6 with Commission staff.

7 Item 5 is the application for increase of
8 water and wastewater rates for Labrador Utilities, Inc.,
9 in Pasco County. The utility requested final revenue
10 increases of 37.03 percent for water and 70.71 percent
11 for wastewater.

12 There are representatives from the Office of
13 Public Counsel, the utility, and the Forest Lake Estates
14 Co-op. There are also five customers that would like to
15 address the Commission.

16 Staff has requested oral modification to the
17 recommendation. All related parties have been supplied
18 with this information. With the oral modifications,
19 staff is recommending revenue increases of 17.52 percent
20 for water and 46.11 percent for wastewater. If you
21 wish, we can prepare to discuss these changes or we're
22 prepared to answer any questions.

23 **CHAIRMAN GRAHAM:** Mr. Reilly, both you and
24 Mr. Friedman have got copies of those oral
25 modifications; correct?

1 **MR. REILLY:** We do.

2 **MR. FRIEDMAN:** Correct.

3 **CHAIRMAN GRAHAM:** Okay. Well, we won't walk
4 through those. Is that it for staff?

5 **MS. BUYS:** Yes.

6 **CHAIRMAN GRAHAM:** Okay. Mr. Reilly and Ms.
7 Merchant.

8 **MR. REILLY:** Thank you. Steve Reilly with the
9 Office of Public Counsel appearing on behalf of the
10 customers of Labrador Utilities, Inc. Also appearing,
11 Ms. Tricia Merchant. We do have a number of customers
12 who have traveled to Tallahassee to be at the agenda
13 today. In fact, one has traveled as far as Canada to be
14 here today. They have, to be efficient with the
15 Commission's time, they have selected four of their
16 people who are here today, representatives to address
17 the Commission. They hope to do so, I guess, at the
18 beginning of the agenda to share their general concerns.
19 At the appropriate time, I have a brief general comment
20 myself, and then we have identified just a few specific
21 issues that the Public Counsel wanted to dispute and
22 take, bring to your attention. That's kind of the
23 layout of what we hope to do.

24 **CHAIRMAN GRAHAM:** Well, I think it's probably
25 best, we'll let you tee it up, and then we'll let the

1 customers that wish to speak come up to the podium and
2 speak, and then we'll let you hit your specific issues.
3 I didn't know -- you may have some other issues that may
4 happen to come out after listening to what they have to
5 say.

6 **MR. REILLY:** Very good. The one general
7 comment I wanted to bring to your attention to start it
8 off is, is the issue of affordability. Affordability
9 becomes a serious issue in a water and wastewater case
10 when two conditions exist. One, the first condition is
11 when you have a significant number of customers that
12 have limited incomes, who really struggle each month to
13 pay for the essential costs of living, and that coupled
14 with when costs of water and wastewater service
15 increases to the point that it compromises the
16 customer's ability to pay those essential costs of
17 living, including the absolutely required cost of water
18 and wastewater service.

19 Concerning the first condition, Forest Lake
20 Estates is a mobile home community comprised of senior
21 citizens with a significant percentage living on very
22 limited fixed incomes. With this case, Docket No.
23 140135-WS, we have reached that critical point where if
24 the proposed rate increases are approved without
25 reduction, many customers will be forced to make some

1 very hard choices. If they pay their water and
2 wastewater bill, they'll be hard pressed to pay other
3 necessary living costs, including housing, electricity,
4 food, medicine, medical care. Although Forest Lake was
5 purportedly established as an affordable housing
6 community, many will be forced to try to find a less
7 expensive place to live, but unfortunately because of
8 the high water and wastewater costs, it's becoming
9 increasingly difficult for these residents to be able to
10 sell their mobile homes that are permanently attached to
11 rented lots in Forest Lake.

12 The second condition, and we're going to hand
13 out something to you right now, a handout, if you could
14 look at this. There's a handout that is going to be
15 given to you that just graphically demonstrates the
16 escalating cost of service since Utilities, Inc.,
17 acquired Labrador Utilities. This handout documents the
18 many rate cases that have been filed in a little over
19 ten years.

20 In this fifth rate case before you in a little
21 more than ten years, if staff's recommendation is
22 approved without reduction, there is very little a
23 single widow on Social Security can do to keep her
24 wastewater bill from being more than -- being less than
25 \$100 a month. Of particular concern is the \$19.46 per

1 1,000 gallon charge for wastewater service.

2 Public Counsel implores the Commission to
3 please keep this issue of affordability front and center
4 in your mind as you consider the arguments and resolve
5 the few disputed issues before you so that you can
6 hopefully produce compensatory rates that are
7 nevertheless just and reasonable to the senior citizens
8 living in the Forest Lake community.

9 So that concludes my brief remarks and, with
10 your indulgence, I can introduce the four
11 representatives.

12 **CHAIRMAN GRAHAM:** Well, we're going to let you
13 all come up to the podium, the ones that want to speak.
14 We're going to -- we have a little timer that's over
15 there giving y'all five minutes to speak. It's actually
16 on the podium, so you'll see it. When the light turns
17 red, you know you have 30 seconds to conclude. When it
18 starts flashing, your five minutes is over.

19 I know this is probably the first time a lot
20 of people have done this, so relax, take your time. The
21 only thing that I ask is let's not be duplicative. If
22 the guy before you said some of the same things that
23 you're going to say, we don't need to hear it four
24 times. Just make the point that you need to make and
25 continue through that. And no one is going to try to

1 stress you. And, like I said, I know a lot of people,
2 this is the first time they've come to this kind of
3 public forum to speak like this, so take your time and
4 collect your thoughts.

5 Mr. Reilly.

6 **MR. REILLY:** Thank you. Our first speaker is
7 Beverly Culliford. She is the president of the Forest
8 Lake Estates Co-op, Inc.

9 **CHAIRMAN GRAHAM:** Ma'am, welcome.

10 **MS. CULLIFORD:** Thank you. Thank you for the
11 opportunity to protest the unreasonable proposed water
12 rate increases being presented by Labrador Utilities, a
13 subsidiary of Utilities, Inc.

14 Our community residents are the only customers
15 of this private utility company. We have 888 occupied
16 homes in the main community, each an individual
17 customer, and 274 lots in our RV resort, which is served
18 by one main water line.

19 Our residents are seniors who have relocated
20 to Florida to spend their retirement years in a sunny
21 and warm climate. And coming from Canada, I can tell you
22 it's marvelous in the winter.

23 As seniors, the main source of income is from
24 pensions and Social Security payments. As such, there
25 has been little increase in finances for the past

1 several years as the economy has not been favorable to
2 such increases. With that said, it does not seem to us
3 that Labrador has any compassion for their customers
4 when they request such unconscionable raises as an
5 increase in water rates of 35 percent, an unbelievable
6 70 percent in sewage rates, as sewage rates are
7 three times higher than the water rates being charged.

8 For 14 years complaints about the foul odors
9 which emanated from the sewage plant fell on deaf ears.
10 Nothing was being done to improve the situation and it
11 continued to get worse, sometimes permeating the whole
12 community. It was not until Forest Lake Estates Co-op
13 filed a lawsuit against Labrador because of the
14 persistent odor and unhealthy atmosphere which existed
15 within the community that the company took any action.

16 This project was done and seems to have
17 resolved the issue. It should be noted that the company
18 will receive all monies spent along with a very healthy
19 return on these monies from the customers, the senior
20 residents of Forest Lake Estates. Residents wonder if
21 regular and proper maintenance of the wastewater plant
22 would have made this major replacement unnecessary and
23 the large cost would not have to be borne by us now.

24 I've read of the appropriate rate of return on
25 invested capital. I translate that to mean a fair and

1 equitable return to the investor for the monies put up.
2 The rate of return requested in this proceeding using
3 the weighted cost of debt and equity as stated in the
4 material provided is 8.5 percent. I'd ask is this a
5 reasonable rate in the economic climate of our present
6 time when most investments are under 2 percent?

7 The statutes on rate fixing state quality of
8 water service as a criterion, and that in fixing rates,
9 they are just, reasonable, compensatory, and not
10 unfairly discriminatory. The Commission will also
11 consider the testimony and evidence provided by the
12 customers. You have some of us here who took the
13 journey to be present and vocal about this, and also
14 over 500 complaints and comments sent in by other
15 residents. Certainly that shows our disenchantment with
16 Labrador Utilities.

17 We are hostage to their demands for increases
18 for poor service and unpalatable water. The majority of
19 our residents use bottled water, water coolers, or have
20 spent thousands of dollars to install a water filtration
21 system in their homes. It is frustrating to us to be in
22 this situation when there's a public utility which
23 provides excellent water and sewage to their customers
24 for one-third the cost of what we are paying for
25 substandard service. Cost is always an important factor

1 since, as stated before, our disposable incomes are
2 limited and need to be spent wisely.

3 It's under the Commissioners' mandate to
4 provide relief to customers when rates have gotten out
5 of control and are aligned with poor service. That's
6 what we are requesting here today -- relief from
7 unsubstantiated and unreasonable increases by a company
8 that seems to only consider the profits to be made, not
9 how to improve service to customers, the seniors of
10 Forest Lake Estates. Thank you, and we'll await your
11 decision.

12 **CHAIRMAN GRAHAM:** Thank you, ma'am.

13 (Applause.)

14 I failed to mention this: We won't have any
15 clapping or waving or anything like that. I do
16 understand that you, you want to applaud what she's
17 saying, but not in these chambers, please.

18 If you hold on a second, we have a question
19 for you.

20 Commissioner Brown.

21 **COMMISSIONER BROWN:** Thank you for coming and
22 making the drive up here to Tallahassee. I know this is
23 an important issue for your residents. And so you are
24 president of the co-op.

25 **MS. CULLIFORD:** Yes.

1 **COMMISSIONER BROWN:** My understanding is that
2 the utility had six meetings with the board of the co-op
3 to discuss wastewater issues. Were you at all of those
4 meetings?

5 **MS. CULLIFORD:** Wastewater meeting? We met to
6 discuss the --

7 **COMMISSIONER BROWN:** Water quality
8 improvements?

9 **MS. CULLIFORD:** No. We -- the wastewater
10 system, the change in it, the project, we did have
11 meetings for that. We have not had -- I -- I'll stand
12 to be corrected, but we have not had a meeting on water
13 service.

14 **COMMISSIONER BROWN:** That's what -- the point
15 of the question I was trying to get at.

16 **MS. CULLIFORD:** Okay.

17 **COMMISSIONER BROWN:** Were there any meetings
18 that you had with the utility on water quality
19 improvement?

20 **MS. CULLIFORD:** No. It was on wastewater and
21 the odor.

22 **COMMISSIONER BROWN:** Okay. Thanks.

23 **CHAIRMAN GRAHAM:** Thank you, ma'am. Thank you
24 for coming.

25 **MS. CULLIFORD:** Thank you.

1 **MR. REILLY:** Okay. Our next speaker is Jim
2 Dill, who is the president of Forest Lake Estates'
3 non-shareholders members. And it's about
4 one-third/two-thirds: One-third are shareholders,
5 owners of the part; two-thirds are renters, not owners.

6 **CHAIRMAN GRAHAM:** Mr. Dill, welcome.

7 **MR. DILL:** Good morning, Mr. Graham,
8 Commissioners. I'm the president, as was stated, of the
9 Forest Lake Estates non-shareholders, and we represent
10 about 60 percent of the owners in the park.

11 First I want to say thank you for letting me
12 give you some thoughts on, on the requested water and
13 sewage rate increase. What I'm going to talk to you
14 about today are outrageous rates, poor service, and very
15 poor product.

16 I spent 30 years in the Air Force, retired as
17 a colonel and a base commander. I've lived overseas,
18 I've lived in 12 different states, and I have visited
19 every state in the union over my 30 years, and I can
20 honestly say that the water and sewage service we
21 currently get is the most expensive I've ever witnessed,
22 the service is the worst I've ever dealt with, and the
23 water is the worst I've ever tasted.

24 I'm not going to dwell on the specific rate
25 increase. The proposed rate increase of 62.7 percent

1 overall for both water and sewage is outrageous.
2 Utilities, Inc.'s, proposed rates are 300 percent higher
3 than our neighbors in Zephyrhills are paying for city
4 water and sewage.

5 We have many widows who live in our park and
6 they only receive Social Security benefits, as you've
7 heard from Beverly. Over the past ten years these
8 benefits have averaged no more than 1 percent annually,
9 and now you're asking them to pay almost 63 percent more
10 for services that are terrible and a product that no one
11 wants to drink or use for personal use. You simply must
12 deny this increase so retirees who are on a fixed income
13 can afford to enjoy their final years.

14 In the past couple of months I've been told of
15 several complaints of poor service. I had three or four
16 I was going to talk about, but I had to whittle it down
17 so I could get to my five minutes.

18 So one incident occurred in mid-March, and I
19 received a letter on the 1st of April from one of the
20 residents, and I'd like to read the letter to you.

21 "Mr. Dill, I wanted to inform you of a major
22 problem I'm having with Labrador. When I paid my bill
23 last month, I mistakenly overpaid by a large amount;
24 \$6,100 to be exact. When I called to request my money
25 back, first off, they were extremely rude to me and so

1 much as called me a thief. They wanted documentation
2 from my bank that they did not try to reverse this
3 payment. So I went to my personal banker, told her what
4 was going on, and she also called in and got the same
5 rudeness as I did. They told her the same thing, so she
6 drafted a letter stating the bank did not try to recoup
7 this payment and that I was requesting a full refund
8 immediately. She notarized it, faxed it right then and
9 there. Now they're telling me I have to wait six to
10 eight weeks to get my money back. That is plain wrong.
11 I now understand what kind of business this is, and it's
12 not good. I am 70 years old and have never been treated
13 like this by any utility company in my life. They do
14 not deserve to operate in the park, and I'm sure I'm not
15 the only one here. Thanks. Don Kievit, Unit 21."

16 **CHAIRMAN GRAHAM:** Excuse me. What's her name
17 again -- the name again?

18 **MR. DILL:** Mr. Kievit.

19 **CHAIRMAN GRAHAM:** Okay.

20 **MR. DILL:** K-I-E-V-I-T. He did finally
21 receive his refund, but only after six to eight weeks.
22 This is totally unacceptable. Most retirees do not have
23 an extra \$6,100 laying around. He should have received
24 his refund immediately.

25 Another incident could have been more

1 devastating to a resident and many in the park. In late
2 February we had a small fire at one of our homes, and
3 the fire department responded immediately. When they
4 went to hook up to a fire hydrant, there was no water.
5 They had to connect to another hydrant further down the
6 street which did work. Had this been a larger fire, we
7 could have had several homes at risk.

8 I personally called Utilities, Inc., and asked
9 them why no water at the hydrant. They told me they do
10 annual inspections of all the hydrants and associated
11 water valves, they turn each valve on and off to make
12 sure all are working well. After checking this valve
13 associated with this specific fire hydrant, they forgot
14 to turn it back on. Again, here's a case of totally
15 unacceptable service in our park. These are just a
16 couple of examples of poor service. I'm sure there are
17 many more -- many out there.

18 Now, let's talk about the product itself, the
19 quality of the water. We have water many will not
20 drink. Some hate to cook with it and many have -- hate
21 to do, hate to do chores outside. A large percentage
22 spend extra money every month, as Beverly talked about,
23 for water we go buy, filter systems that we use. Why
24 should we be paying outrageous rates for water that's
25 just plain terrible?

1 I want to show you an example. I took this
2 out of my house, these two filters from my house. This
3 first one here, January 9th to May (sic) 14th. This one
4 here from, from -- or March 14th. This one March 14th
5 to May 4th. I took it out yesterday. That's what I
6 have to replace every six weeks, it costs me about \$40 a
7 shot, so that I can at least try and use some water for
8 cooking. That's the product that we're talking about.
9 I also have a little sample of the water we drink, if
10 you'd all like to try it sometime.

11 When will this end? Many of our residents
12 have lived here for five, ten, and 15 years or longer,
13 and nothing has significantly changed for the price of
14 our service. Just 15 years ago our residents paid
15 \$15 per month for water and sewage. We're asking
16 them -- we are here today asking the PSC to be fair and
17 reasonable and to deny Utilities, Inc., the requested
18 rate increase. If something is not done, we could lose
19 our current residents, especially widows who live on
20 Social Security.

21 We're not the only park in Pasco County who
22 has had problems with Utilities, Inc. The May 1st *Pasco*
23 *Times* reported that Summertree in New Port Richey is
24 seeking to remedy long-standing complaints about water
25 quality and cost. The article goes on to say that

1 Summertree has complained for years about expensive but
2 discolored water they say is unfit for drinking,
3 cooking, or clothes washing. Doesn't this sound
4 familiar from what you heard from us today?

5 It is time that we be heard. We request you
6 to please deny the rate increase. Mr. Graham,
7 Commissioners, thank you very much for your time.

8 **CHAIRMAN GRAHAM:** Thank you, sir. Hold on for
9 a question.

10 Commissioner Brown.

11 **COMMISSIONER BROWN:** Thank you, and thank you
12 for your service to our country.

13 **MR. DILL:** Thank you.

14 **COMMISSIONER BROWN:** Same -- similar question
15 to the president of Forest Lake Co-op. Did you have any
16 meetings since the last rate case with the utility with
17 regard to water quality improvement issues?

18 **MR. DILL:** None.

19 **COMMISSIONER BROWN:** Thank you.

20 **CHAIRMAN GRAHAM:** Mr. Reilly.

21 **MR. REILLY:** Thank you. The next speaker is
22 Ed Goldstein, who is a customer of the utility.

23 **CHAIRMAN GRAHAM:** Mr. Goldstein, welcome.

24 **MR. GOLDSTEIN:** I won't take up much of your
25 time, but I'd like to ask you if you had an extra \$1,375

1 that you could spend tomorrow, what would you do with
2 it? You don't have to answer me. I'll tell what you I
3 did with mine. I spent it on water purification. Not
4 only did I spend it on a water purification system, I
5 also have a refrigerator that utilizes a filter system.
6 That's only \$40 every three months. Okay. The water
7 system has helped a little bit, but instead of having
8 ring around the collar, you got ring around the toilet.
9 It sounds funny, but it's not. Okay?

10 And it might sound a little redundant, but the
11 odor, the taste, the color of the water, which is yellow
12 at points, low pressure is another thing that we have.
13 Okay? And in your consideration, I would like you to
14 deny them as far as a rate increase. And I'm sure if
15 you lived in the same situation that we live in, you
16 wouldn't be happy. And I thank you.

17 **CHAIRMAN GRAHAM:** Thank you, sir.

18 **MR. REILLY:** Thank you. Our last speaker from
19 the customers is Brett Schroder, who is the property
20 manager at the park.

21 **MR. SCHRODER:** Good morning.

22 **CHAIRMAN GRAHAM:** Good morning, Mr. Schroder.

23 **MR. SCHRODER:** Thank you for the opportunity
24 to speak to you today. Defining a monopoly: Market
25 situation where one producer or group of producers

1 acting in concert control supply of goods or service and
2 where the new entry of new producers is prevented or
3 highly restricted. Monopolist firms, in their attempt
4 to maximize profits, keep the price and restrict the
5 output and show little or no responsivenesses to the
6 needs of their customers. This defines Labrador
7 Utilities. By definition, a monopoly is characterized
8 by an absence of competition which often results in high
9 prices and inferior products such as poor water quality,
10 odors, iron-stained laundry, excessive boil water
11 notices, or no water. This, again, is Labrador
12 Utilities.

13 Another example, a public monopoly set up by
14 governments to provide essential services. Some believe
15 that utilities should offer public goods and services
16 such as water and electricity at a price that everyone
17 can afford. These rates are more than double the city
18 rates of Zephyrhills, within water and sewer lines
19 located one mile from our community.

20 The cause and effect. The co-op has not
21 raised rent in the last two years to offset excessive
22 utility rates. The operation cannot continue this trend
23 and remain a viable, affordable housing community.
24 Depressing property values and redevelopment plans due
25 to excessive utility rates, displacing elderly residents

1 due to unaffordable utility rates, forcing below market
2 resales, and affecting the long-term welfare of our
3 customers, these are serious issues and are detrimental
4 to the affordable housing component of an over-55
5 not-for-profit entity.

6 Residents are not flushing and bathing to make
7 ends meet. Is this how we want to treat our low income
8 seniors? Labrador Utility rates are tantamount to abuse
9 of the elderly residents of our great community, and
10 they are a huge liability to the welfare of the co-op
11 occupancy and sustainability.

12 For a point of clarification, at a resident
13 meeting discussing the 10-acre parcel that has not been
14 developed, Penelope misinterpreted and misrepresented
15 our short conversation at the resident meeting. We
16 began a development plan to expand the RV resort an
17 additional 90 pads on the vacant parcel. Upon inquiry,
18 Pasco County, we're told, was informed of a moratorium
19 was in place to restrict development until such time as
20 the already 12,000 permits outstanding were back to
21 normal development levels. Due to the Great Recession,
22 we're at a standstill until we can get approval for
23 expansion by Pasco County. Thank you.

24 **CHAIRMAN GRAHAM:** Thank you, sir.

25 **MR. SCHRODER:** Any questions? Sorry.

1 **CHAIRMAN GRAHAM:** No.

2 **MR. SCHRODER:** Thank you.

3 **CHAIRMAN GRAHAM:** Thank you. Mr. Reilly.

4 **MR. REILLY:** That concludes our general
5 comments and, of course, the comments of the customers.

6 Public Counsel has identified five issues that
7 we, you know, wanted to address and have the Commission
8 consider.

9 I believe an attorney for the co-op has a
10 sixth issue, so there's a total of six disputed issues
11 from the customer side today. I don't know quite how
12 the Chairman wants to proceed, but we wanted to
13 respectfully request that as we tee up these six
14 disputed issues, that you maybe consider, you know, the
15 response of the utility and the staff and maybe vote on
16 those disputed issues while all those arguments are
17 fresh, you know, in the Commissioners' minds, and then
18 maybe -- as opposed to waiting until the end of the
19 whole proceeding. That's just a request that we would
20 make, that, you know, that we could maybe take up those
21 six issues and then -- and consider the arguments on all
22 sides.

23 **CHAIRMAN GRAHAM:** Let's go ahead and take the
24 co-op's attorney first.

25 **MR. REILLY:** Okay. And it happens to be, by

1 the way, Issue No. 1 anyway, quality of service.

2 **CHAIRMAN GRAHAM:** Sir, if you would state your
3 name for the record, and then you will have your time.

4 **MR. CURTAIN:** Yeah. I do have a hand -- my
5 name is Kenneth Curtin. I'm with the law firm of Adams
6 & Reese. I represent the Forest Lake Co-op. I do have
7 a handout for the Commissioners.

8 **CHAIRMAN GRAHAM:** Sure.

9 **MR. CURTAIN:** If I could hand that out before
10 I begin, it may speed it up.

11 **CHAIRMAN GRAHAM:** Sure.

12 **MR. CURTAIN:** I'll just wait until you have
13 that handout.

14 **CHAIRMAN GRAHAM:** Thank you.

15 **MR. CURTAIN:** Good morning, ladies and
16 gentlemen. My name is Kenneth Curtain. I represent
17 Forest Lake Co-op. While the co-op represents the
18 shareholders, the co-op also has an ethical, moral,
19 legal, and statutory obligation to the renters and to
20 the RV residents to provide them water and wastewater
21 services. There's 1,159 residents if you count all the
22 RV parks, the co-op, and the shareholders.

23 On the second page, it's a 55-plus community,
24 mostly retirees, fixed income, elderly. The goal has
25 always been to create a community which residents can

1 enjoy the Florida lifestyle.

2 The third page. We sent out customer surveys
3 of the quality of the water and wastewater -- excuse me,
4 quality of the water, quality of customer service, and
5 other issues involving Labrador and comments. We
6 received 439 customer responses, all which have been
7 filed with this Commission. I urge you to take a look
8 at them. Some of them are attached here, some of the
9 ones I think are the most appropriate ones and bring out
10 the issues which I want to bring out.

11 We asked about the quality of the water,
12 customer service, and affordability. We found out that
13 it has a foul taste, a foul odor, a foul color, sediment
14 that destroys appliances, and poor water pressure,
15 everything you just heard here from the residents.

16 If you look on the fifth page, you'll see what
17 I did is took all the surveys and I said what has a bad
18 taste? And you can see the dark blue is the ones with
19 the bad taste. Over 400 of the respondents said they
20 had a bad taste. Bad odor, over 400 of the respondents
21 said -- 439 said there was a bad odor. Bad color, 350
22 of them. Clogged appliances, over 300.

23 The next page, what is the effects of that?
24 The effects are people drink bottled water, the vast
25 majority of them. The vast majority of them, as you

1 heard here, spend their own money on their filtration
2 systems not only to drink but to shower. They refuse to
3 drink the water, the vast majority.

4 And the last one is the most important, I
5 think, on that chart. Almost 50 percent of the
6 residents say they are thinking of moving out solely
7 because of the water and wastewater, and that's
8 50 percent of retirees who probably the other 50 percent
9 don't have the financial ability to move out.

10 93.6 percent stated the water has a bad taste.
11 92 percent said it had a bad color. 78.9 percent said
12 it had a bad odor. 73.2 percent said it clogs
13 appliances. 89 percent use bottled water, and nearly
14 half say they're moving out.

15 The first customer survey I put in there is
16 from Edgar Irving who said he has been there for 23
17 years. In our first nine years he had no problems, then
18 Labrador takes over and problem after problem with
19 quality. That is one of the longest residents I saw on
20 the survey that had been there, and he said -- just read
21 his survey -- 23 years and it started when Labrador came
22 here.

23 I go through there, bad water pressure,
24 Mr. Riker. Judith Pierson, she says it smells. I won't
25 say how she uses -- "smells like diarrhea." Robert and

1 Angel Vachon, she says -- they talk about the sediment
2 in the water and how it clogs appliances. James Beems,
3 he's been there for five years and he does not want to
4 move, but he says, "but I will if the water does not get
5 any better." Alice Kalegaric, she won't even let her
6 dog drink it. Her dog gets sick from it. And I guess
7 the best words would be Mr. Sorber, who just said, "The
8 water stinks."

9 The next part is the poor service, and you
10 heard some of this, too. No notifications of cutoffs in
11 services and water outages, untimely repair of burst
12 water lines and flooded streets, failure to conduct
13 repairs or call back residents, and rude customer
14 service representatives. I just put another -- the next
15 six slides are all just examples of some of the examples
16 out of the 439.

17 Mr. (sic) Martel says that on Christmas of
18 2013 and Thanksgiving of 2014 they had water cutoffs and
19 he (sic) had to boil all his water for his cooking and
20 things of that nature.

21 They talked about -- Mr. and Mrs. Shepherd
22 talked about no notification of water shutoffs. Same
23 thing about Russell McGinnis, no notification of water
24 shutoffs. Carol Ann Belanger talk about a burst water
25 line and muddy roads that took over a week to fix up and

1 clean up the mud. Mr. and Mrs. Butler talk about a
2 problem they had with billing where they were told it
3 was on the other -- not on their side of the line but
4 they had to hire their own plumber to go do it, to fix
5 it, and they still haven't gotten their refund. Claude
6 Shrontz talks about the fact that there was a water leak
7 for a long time. He called and they said, don't worry
8 about it, it's on our side of the line, but they just
9 continued to let the water run. And his opinion is
10 aren't we paying for that eventually? It's going to go
11 into a rate increase if you continue to let it run, even
12 if it's not on their side, it's on Labrador's side of
13 the line, but they didn't come timely fix it. And then
14 Mr. and Mrs. Dasovich, rude, very rude people.

15 Then the rates are unaffordable. I look at
16 the rates, unaffordable. I went and I pulled up the
17 Social Security COLA increase. They got a whooping, in
18 2009 and '10, zero percent. 2011, not bad, 3.6 percent.
19 From 2012 through '14, maybe 1.7 percent.

20 Labrador in their interim increase got
21 13.1 percent for water and 20.06 percent for wastewater,
22 and they're asking a 30 percent -- 37 percent increase
23 for water and a 71 percent increase for wastewater, way
24 above the Social Security increase.

25 The next seven slides are all people who talk

1 about moving out. They can't afford it and the quality
2 isn't there. And that's the problem we're going to have
3 here, ladies and gentlemen, that we're going to have a
4 park where people are going to be moving out, values are
5 going to be going down. And at the end, everybody
6 believes Labrador deserves a fair return on investment,
7 but that should be a determination of the value and
8 quality of service and a just and reasonable price.

9 I love Warren Buffett. I quoted Warren
10 Buffett here. And Warren Buffet says, "A price is what
11 you pay. Value is what you get." Labrador is asking
12 for a price that my customers have to pay. It's your
13 job to determine the value they are getting, and I
14 suggest to you they are not getting the value.

15 The last slide was probably the best slide and
16 the best customer questionnaire. Mr. Wakeman just said,
17 "Poor return on the dollar." I cannot state it better
18 than that. We're getting -- my customers and my clients
19 are getting a poor return on their dollar. Like I said,
20 everybody deserves a fair return on investment for -- if
21 you provide a quality product. They're not doing that
22 here. Thank you, ladies and gentlemen.

23 **CHAIRMAN GRAHAM:** Sir, well, number one, I
24 want to thank you for coming. Number two, I want to
25 thank you for the handout. I personally am not a fan of

1 PowerPoints, that's why I'm glad you provided the
2 handout so this is something we can have with us and it
3 will always be in our file, something we can always go
4 back to. A PowerPoint is just one of those things, once
5 it's off the screen, it's kind of gone.

6 **MR. CURTAIN:** I understand.

7 **CHAIRMAN GRAHAM:** So I do appreciate you
8 taking that extra effort in doing this. This, this does
9 a lot.

10 We don't have any questions for you, but I did
11 want to share that with you.

12 **MR. CURTAIN:** I will say that's my paralegal
13 who did that.

14 **CHAIRMAN GRAHAM:** However it got done.

15 **MR. CURTAIN:** I may be the face behind it,
16 she's the brains behind it. Thank you.

17 **CHAIRMAN GRAHAM:** Thank you.

18 Mr. Reilly.

19 **MR. REILLY:** That would be our -- I think
20 Ms. Merchant may want to add something, or we'll just
21 hold back our comments until the utility has an
22 opportunity to discuss the quality of service issue, and
23 staff.

24 **CHAIRMAN GRAHAM:** I think we'll -- let's just
25 go through your issues first, and then we'll go to the

1 utility's and they can address those.

2 **MR. REILLY:** Okay. Well, our next issue would
3 be Issue 3, adjustments to the Phoenix Project, Project
4 Phoenix.

5 **MS. MERCHANT:** Good morning, Commissioners.
6 This is Tricia Merchant with the Office of Public
7 Counsel.

8 I -- Ms. Vandiver in the earlier docket talked
9 a lot about the Project Phoenix, and staff, as you
10 recall, the staff is recommending that no negative
11 adjustment be made to the Project Phoenix because
12 they're using the 2015 ERCs, which are higher. They
13 purchase more systems or they're about to purchase some
14 more systems.

15 Our office believes that that's a -- I guess
16 we'll use the term called cherry picking. You're going
17 to pick items that go up without looking at the items
18 that go down. The biggest item is that, as Ms. Vandiver
19 said, we're using 2013. The costs are higher to
20 Labrador Utilities in 2013 because they don't have as
21 many systems to spread all the affiliate costs. But
22 also another thing that you're not looking at is in --
23 one big expense that, or cost that occurs that's known
24 and measurable is called accumulated depreciation. You
25 know, every year they get depreciation expense recovered

1 through their rates, and we look at an average rate base
2 for, you know, setting rates. But we've made so many
3 positive adjustments to things that are going up, we're
4 not looking at things that are going down. I mean,
5 we've -- some things have gone down, but a big item that
6 continues to go up every year, even when the company is
7 making their plant additions, is that accumulated
8 depreciation is lowering rate base.

9 And for Labrador, depreciation expense for
10 water and wastewater is about \$150,000 a year. So that
11 would be, from 2014 to 2015, that would be \$300,000 in a
12 reduction in rate base that's known and measurable. But
13 the Commission and the staff and the utility, they look
14 at annualized depreciation expense, they look at 2015
15 costs to allocate or not allocate or not make an
16 adjustment to the Project Phoenix. So I think that
17 we're going a little bit beyond the test year concept.

18 And, you know, we would like to stick to the
19 test year concept. If the company wants to come in and
20 file a projected test year, all these issues would be
21 resolved. You would have the accumulated depreciation
22 that would match the projected plant. And I just think
23 we've got a big mix match of test year ratemaking. So
24 that's our comment on that. We would urge the
25 Commissioners to make the adjustment for the Project

1 Phoenix reduction for the divestiture. I understand
2 that there might be some changes in expenses adding in
3 new systems in other states, but still you're allocating
4 to Labrador, a small, a very small system, increased
5 costs that aren't really in effect right now. Because
6 we're right now smack dab in the middle of 2015 and
7 we're still being allocated the ratios from 2013, which
8 gives a higher share to Labrador.

9 **CHAIRMAN GRAHAM:** Commissioner Brisé.

10 **COMMISSIONER BRISÉ:** So a quick question with
11 that. I think part of the staff's rationale is that
12 rather than having a proceeding to deal with that
13 particular issue that we deal with it this way. So you
14 would be comfortable with having a proceeding moving
15 forward to -- which would eventually impact the
16 customers not only for whatever the allocation would be
17 for the system, but also whatever the cost would be for,
18 for that particular proceeding?

19 **MS. MERCHANT:** If I may ask you a question.
20 Are you referring to Phoenix?

21 **COMMISSIONER BRISÉ:** Yes.

22 **MS. MERCHANT:** The Commission just had a
23 proceeding on that. They just finished it. It was -- I
24 guess it wasn't contemplated that we would be looking
25 beyond the test year for whether or not to make

1 adjustments to Project Phoenix. We just finished that
2 six months or a year ago. It was spread -- the rate
3 case expenses added on into this case.

4 **COMMISSIONER BRISÉ:** Sure.

5 **MS. MERCHANT:** But this is a very simple
6 adjustment. The staff has the capability of making that
7 adjustment in their filing for the -- going back to the
8 2013 ERCs.

9 **COMMISSIONER BRISÉ:** So let me get
10 clarification from staff. If we were to go the route or
11 wait, what would have to happen procedurally for us to
12 make the adjustments moving forward?

13 **MR. BROWN:** I don't know that any adjustments
14 other than the specific Phoenix Project adjustment that
15 we were addressing in Issue 3 need to be made. I
16 think -- it's my understanding, and staff, other staff
17 may correct me if I'm wrong, that the adjustments we
18 made in this rate case, the staff's adjustments are made
19 to that test year. The Phoenix Project adjustments are
20 the only ones that fall outside of that, that test year
21 as far as I know.

22 And one of the reasons staff made the
23 recommendation that it did to take all of those ERCs
24 that are being added in 2015 was to avoid the potential
25 need to come back in a limited proceeding and incur that

1 rate case expense.

2 **CHAIRMAN GRAHAM:** Commissioner Brown.

3 **COMMISSIONER BROWN:** I was just going to add
4 in what we did in the last Sanlando case just before,
5 you said it was prospective in nature.

6 **MR. BROWN:** Yes, ma'am.

7 **COMMISSIONER BROWN:** This is with regards
8 specifically just to Project Phoenix. Anything else
9 obviously is dealt directly with the test year.

10 **MR. BROWN:** Correct.

11 **COMMISSIONER BROWN:** Thank you.

12 **CHAIRMAN GRAHAM:** Mr. Reilly or Ms. Merchant.

13 **MS. MERCHANT:** That's all my comments on that
14 issue, Commissioners.

15 **CHAIRMAN GRAHAM:** No, I meant the next issue.

16 **MS. MERCHANT:** Oh, the next issue.

17 **MR. REILLY:** The next issue, the next issue is
18 Issue 4, adjustments to pro forma plant.

19 **MS. MERCHANT:** Okay. Back again.

20 Commissioners, Issue 4 deals with pro forma
21 plant. There's a pro forma wastewater treatment
22 addition and there's a pro forma water tank replacement
23 that the company has requested. Staff has made several
24 adjustments to both of those items.

25 My concern deals specifically with the water

1 tank, the water tower, and it directly relates to the
2 issue of prior maintenance expense allowed for this
3 water tank and the lack of the company's maintenance on
4 the water tank, even though they've been -- even though
5 they received money in the last two rate cases to
6 recover maintenance costs on that.

7 OPC asked some questions early on in the
8 docket regarding these issues, and staff did send some
9 follow-up questions. But staff's analysis of the tank
10 replacement is silent about the deferred maintenance
11 that's been incurred and recovered by the company,
12 except for removal of \$161 in maintenance expense, which
13 is truly just some capitalized labor from the company.
14 It didn't have any engineering invoices or anything like
15 that.

16 In Labrador's last rate case in 2011, the
17 company requested \$46,240 -- 204 to maintain, repair its
18 water tank. The company amortized this amount over five
19 years and requested \$9,241 in annual water expenses.
20 Labrador's request was based on the costs incurred in
21 April 2004 to repair and maintain the tank. In response
22 to staff in the 2011 rate case, Labrador provided a tank
23 inspection report from January 2010 which indicated the
24 interior of the tank was in fair condition but was in
25 need of repairs to continue functioning as designed.

1 The inspection report recommended that the tank be
2 sandblasted and recoated in addition to making other
3 minor repairs. The Commission reviewed the request and
4 reduced the total to \$30,138 to be amortized over five
5 years to maintain, inspect, and repair the water tank.
6 The resulting annual cost allowed was \$6,028.

7 Excuse me. At the Agenda Conference in March
8 of 2012 for the last Labrador rate case, OPC disagreed
9 with the company's requested maintenance expense. OPC's
10 concern was that the company had the inspection report
11 from 2010 which stated that the tank needed to be
12 repaired, but as early as -- as of early 2012, the
13 company had not spent the money. OPC recommended that
14 the company needed to do the maintenance and the
15 Commission should delay approval of this expense until
16 the company documented that the project was complete.
17 We also recommended that the maintenance be amortized
18 over eight years instead of five, since at that time it
19 had been eight years since the last tank painting.

20 As part of my analysis in this case, I've also
21 reviewed the 2008 rate case, which is two rate cases
22 before, to see if any amounts, if any amounts were
23 allowed for water tank maintenance. The test year in
24 that docket was 2007, and the company requested
25 \$46,204 for maintenance of the water tank. This is the

1 same amount that was carried forward to the 2011 rate
2 case.

3 The order in the 2008 rate case makes no
4 adjustment to deferred maintenance, so the requested
5 \$9,241 of annual maintenance expense was allowed by the
6 Commission two rate cases ago. In this current docket,
7 the company has stated that the water storage tank could
8 not be repaired. Instead, it had to be replaced. It is
9 noteworthy that Labrador references the same inspection
10 report from 2010 to justify replacing the tank now that
11 it used to justify repairing the tank in 2011.

12 In response to staff's question in this
13 docket, the company stated that it has not performed any
14 maintenance on the tank since 2006 other than the
15 \$161 of capitalized labor in 2013, nor did it perform
16 any water tank maintenance for which it received funding
17 in the prior case.

18 In explanation, its explanation was that the
19 tank maintenance was postponed after the work was bid
20 out, and when the work commenced, the tank's condition
21 was found to be unrepairable at that time. The company
22 subsequently decided to replace the tank in 2015. The
23 bottom line is this, Labrador collected a total of
24 \$48,604 from 2009 to 2015 in deferred maintenance
25 expenses specifically to sandblast and paint its water

1 tank, yet to date has only spent \$161. These, these
2 amounts are shown -- how I calculated these amounts are
3 shown on the handout that I've given you. I basically
4 went through and analyzed each year the actual amount
5 they collected because the rate cases are only three
6 years apart, so there wasn't actually five years of
7 amortization of the old case.

8 OPC believes that this maintenance has
9 contributed to the poor condition of the retired tank,
10 as well as possibly the poor aesthetics of the water
11 treated addressed earlier by the customers and in the
12 quality of service issue. Had the company properly
13 performed the maintenance back in 2009 when recovery was
14 first approved, the tank replacement in 2015 may not
15 have been necessary. Particularly distressing is that
16 ratepayers were charged and have paid in advance for
17 maintenance which was not performed. Customers are now
18 being asked to pay to replace the entire water tank.

19 We believe that this is reprehensible and
20 imprudent, and we're asking the Commission today to
21 rectify this situation. The remedy OPC believes is most
22 appropriate is to reduce the cost of the new tank by the
23 48,604 paid by customers for maintenance that Labrador
24 readily admits it never performed.

25 And one more thing I heard from the first

1 customer that spoke this morning, and she was talking
2 about the statutory requirement for just, reasonable,
3 compensatory, and not unduly discriminatory rates. And
4 I think that if you were to charge the customers for
5 this brand new water tank, that that would certainly not
6 be just or reasonable, and I just think that we, we just
7 wish that you would adjust the cost of the water tower
8 just to compensate the customers for that. It's
9 probably more expensive for them now to pay for a new
10 tank than the maintenance would have been back in 2009
11 and 2011 if they had done it.

12 **CHAIRMAN GRAHAM:** Staff?

13 **MR. SMITH:** Good morning. Lee Smith with
14 Commission staff.

15 In our analysis, it was staff's opinion that
16 having the deferred maintenance expense in there did not
17 put the utility in an overearning position. They were
18 still underearning. Therefore, to take it out on a
19 prospective basis would just exacerbate that condition
20 and it would still cause them to underearn in the
21 future.

22 **CHAIRMAN GRAHAM:** Let me see if I understand.
23 So they were underearning and they used this money that
24 they collected for maintenance to fill that gap even
25 though the money was supposed to be used for

1 maintenance?

2 **MR. SMITH:** Correct.

3 **CHAIRMAN GRAHAM:** Commissioner Brown.

4 **COMMISSIONER BROWN:** But if they would have
5 used that money back in 2009 for maintenance, would
6 there be a need for a new tank?

7 **MR. FLETCHER:** As far as that goes, I'd have
8 to defer to engineering whether there would be
9 additional, after that refurbishment was done in 2006,
10 whether another refurbishment would have been done or
11 whether a replacement would have been necessary.

12 **COMMISSIONER BROWN:** Obviously this is
13 speculative, but --

14 **MS. BUYS:** We did ask about, we did ask about
15 the maintenance and replacing the tank, and they said
16 the tank was irreparable. And so they believed that
17 the new tank was better, reliable for --

18 **COMMISSIONER BROWN:** But that was in 2015 when
19 they filed this rate case.

20 **MS. BUYS:** Yes.

21 **COMMISSIONER BROWN:** So from 2009 to 2015
22 nothing has occurred other than \$161 has been spent on
23 it; correct?

24 **MS. BUYS:** I'm not sure. I can't answer that.

25 **COMMISSIONER BROWN:** You don't have records of

1 that from the utility? Maintenance?

2 **MR. FLETCHER:** That is all that the utility
3 had provided as far as being spent on that tank was
4 \$161 in the test year.

5 **MS. MERCHANT:** If I may, staff asked the
6 utility a direct question about that, how much
7 maintenance has been spent, and they said none other
8 than the \$161. And I believe that the last time that
9 they maintained it was in 2004, so it goes all -- even
10 back further. The last time they spray painted -- spray
11 painted -- sandblasted and painted and repaired the
12 water tower was in 2004.

13 **COMMISSIONER BROWN:** And just to confirm, I
14 know the answer is rhetorical, but this is the same
15 utility company from the time who was awarded this rate
16 increase in 2009 to today. It's been the consistent
17 same ownership.

18 **MR. FLETCHER:** That's correct, Commissioner.

19 **COMMISSIONER BROWN:** Okay.

20 **CHAIRMAN GRAHAM:** Well, I guess the point I'm
21 seeing OPC is trying to make, or actually did a fine job
22 of making, is there was justification for that added
23 maintenance cost for this tank back then when they --
24 back in '09 and then again in '12; is that correct?

25 **MR. FLETCHER:** That's correct.

1 **CHAIRMAN GRAHAM:** And no maintenance was done
2 other than \$126. And we didn't do, are not doing
3 anything as far as, I guess, holding their feet to the
4 fire off of that? Because evidently it was important
5 five years ago, it was important two years ago, but yet
6 nothing happened.

7 **MR. FLETCHER:** We have not made an adjustment
8 in the -- as far as the requested pro forma request for
9 the replacement. I can tell you since that last rate
10 case, obviously expenses fluctuate, and I don't want to
11 put words into the utility's mouth, that those funds
12 were not spent for what was embedded in rates. They
13 were spent on other items. And what Mr. Smith was
14 relaying earlier is that because they were spent on
15 other expense items, other maybe capital projects, I'm
16 not certain. They were not in an overearnings posture
17 from the last case. In fact, they were underearning.
18 So that's no comfort level, but -- that it was spent on
19 other when they were still in an underearnings posture;
20 however, that was one of the basis of why staff didn't
21 make an adjustment to their recommended pro forma is
22 because they weren't in an overearnings posture and, in
23 fact, they were in an underearnings posture.

24 If you see on the NOI statements in staff's
25 recommendation on 3A and 3C, I think the achieved return

1 for one of the systems was less than 1 percent. The
2 other one was 2.3 percent. So obviously the utility
3 devoted those -- that amount of money from those rates
4 to other areas, but staff, based on that, did not want
5 to recommend a reduction to the replacement cost for a
6 new tank.

7 **CHAIRMAN GRAHAM:** Well, so, I guess my
8 question is it's staff's opinion that rather than them
9 coming in because of underearnings earlier, it was best
10 to use that maintenance dollars for the tank wherever
11 they chose to use it?

12 **MR. FLETCHER:** They obviously chose to use it
13 for other means and they were still in an underearnings
14 posture; therefore, we did not recommend an adjustment
15 to the pro forma amount in this case.

16 **CHAIRMAN GRAHAM:** Okay. OPC.

17 **MR. FRIEDMAN:** Chairman Graham, do you want me
18 to weigh in at this point or wait till later?

19 **CHAIRMAN GRAHAM:** Let's just wait till -- just
20 keep your list.

21 **MS. MERCHANT:** Certainly the company in those
22 intervening years had the management decisions to manage
23 their --

24 **CHAIRMAN GRAHAM:** Next issue.

25 **MS. MERCHANT:** Oh, next issue. I beg your

1 pardon.

2 **CHAIRMAN GRAHAM:** You've beat that dog.
3 Successfully so, but thanks.

4 **MS. MERCHANT:** The next one belongs to
5 Mr. Reilly. He's going to talk first.

6 **MR. REILLY:** Yes. This next issue is the used
7 and useful percentage of the wastewater treatment plant.
8 It's a very important issue because it will materially
9 impact the wastewater rates that the people will be
10 paying in this mobile home park.

11 I direct your attention to pages 13 and 14 of
12 the recommendation. And at this point of the
13 recommendation they're recommending that Labrador's
14 wastewater treatment plant be considered 100 percent
15 used and useful.

16 In its recommendation, staff concedes that
17 when you calculate the used and useful percentage as
18 required by the Commission's rule, 25-30.432, *Florida*
19 *Administrative Code*, the wastewater treatment plant is
20 actually 30 percent used and useful. This percentage is
21 achieved by comparing the plant's rated capacity of
22 216,000 gallons per day per three months rolling average
23 daily flow to the test year, three months average
24 rolling -- average daily flow of 64,863 gallons per day.
25 Notwithstanding this percentage, staff points out that

1 Rule 25-30.432 contains a provision for consideration of
2 other factors when developing used and useful
3 percentage.

4 The factor staff felt was relevant in this
5 case was whether the service territory was, quote, built
6 out with no potential for expansion of the service
7 territory. Staff concedes that there is a vacant
8 11.6-acre parcel of land in the service territory owned
9 by Forest Lake Estates Cooperative. But when asked, the
10 co-op advised staff, quote, the only plan for the land
11 was to build a maintenance shed on the site. Based on
12 staff's understanding of no material development for
13 plans for the 11.6-acre parcel, staff concludes that the
14 service territory should be considered 100 percent used
15 and useful even though the calculated percentage was
16 30 percent.

17 OPC offers five arguments why the Commission
18 should not accept staff's recommendation on this issue.
19 Number one, as I've stated, comparing the rated capacity
20 of the plant to the test year flows as required by the
21 Commission's rule actually produces a 30 percent used
22 and useful percentage. Any discussion about the used
23 and useful of this plant should begin with this very low
24 number.

25 Number two, staff discusses, without agreeing

1 or disagreeing with the utility's argument, that the
2 wastewater treatment plant should be considered 100
3 percent used and useful because the plant, quote, was
4 designed to serve full occupancy at design flows of
5 280 gallons per day per ERC, which would -- such a
6 design criteria would require a 250,000 gallon capacity
7 plant.

8 The problem with this argument is that the
9 actual test year flows are closer to 58 gallons per day
10 per ERC, which is about 1/5th of this purported
11 original design criteria. The other problem is the
12 utility has not provided any documentation of this
13 design criteria of the original construction of the
14 wastewater treatment plant.

15 In the last rate case, in Docket 110206-WS,
16 the Commission expressly rejected the company's
17 argument because of its failure to provide this
18 documentation and that the actual flows to the plant
19 were so significantly below the purported design
20 criteria.

21 Our third argument, the statement that
22 staff -- that there is no potential for expansion of
23 the service territory is not true. There is
24 significant undeveloped land contiguous to Labrador's
25 current service territory which is not being served by

1 any other utility which could in the future be added to
2 Labrador's service territory. While OPC is not aware
3 of any current plans for this development on the
4 contiguous parcels, they do represent a potential for
5 service territory of Labrador's to, to grow.

6 Number four, and more importantly, staff's
7 conclusion that there is no potential for growth within
8 the current service territory is also not true and
9 apparently based upon a mischaracterization or
10 misunderstanding of the co-op's plans for the 11.6-acre
11 parcel. The co-op is not maintaining ownership of this
12 parcel, paying annual real estate taxes for the purpose
13 of building a utility shed. While the co-op has
14 immediate short-term plans to build the shed, it has
15 definite longer term plans to use the parcel to expand
16 its RV park operations, a plan that has required the
17 co-op to spend time and money to develop. Staff has
18 misconstrued or misunderstood the facts of this case to
19 conclude that Labrador Utilities is built out with no
20 potential for growth as a basis to consider a
21 30 percent used and useful plant to be 100 percent.

22 Our final argument on this issue is staff's
23 approach to determine the used and useful percentage of
24 all water and wastewater plant in this case is
25 completely consistent until it comes to its

1 recommendation on the wastewater treatment plant. When
2 making its recommendation for used and useful
3 percentages of all the other water and wastewater plant
4 components, staff offers the same short recommendation.
5 For each component, staff repeats that Labrador's -- in
6 Labrador's last rate case the Commission determined
7 Labrador's water treatment plant, ground storage tank,
8 water distribution and wastewater collection systems to
9 be 100 percent used and useful, and there has been no
10 change in circumstance. So, therefore, according to
11 Commission practice and policy, all of the water and
12 wastewater component should continue to be considered
13 100 percent used and useful.

14 However, when it comes to staff's
15 recommendation concerning the wastewater treatment
16 plant, it deviates from this approach. In Labrador's
17 last rate case staff also recommended the Commission to
18 consider the wastewater treatment plant to be
19 100 percent used and useful, but the Commission
20 rejected that recommendation and found that because
21 there was no documentation of the original design
22 criteria, the fact that the actual flows were so
23 significantly lower than the purported design flows
24 and, most importantly, that there was vacant land
25 available for development in the future, the Commission

1 could not agree, that's in the quote in the last order,
2 could not agree that the wastewater treatment plant is
3 100 percent used and useful.

4 And so the Commission in that last order
5 stated, and I quote, since the used and useful issue in
6 Labrador's last rate case was settled by stipulation
7 which has no precedential value, we find that it is
8 appropriate to use 79.94 percent used and useful
9 percentage for the wastewater treatment plant
10 consistent with our determination in Labrador's 2003
11 rate case.

12 So in conclusion, because of the five reasons
13 I've stated, the Commission should at least at minimum
14 find that the wastewater treatment plant is
15 79.94 percent used and useful. There has been no
16 change in circumstance; therefore, according to
17 Commission policy, the Commission should find this
18 continuation of the used and useful. Such a vote would
19 materially help our affordability issue and really
20 reach out and give some help to these people, and we
21 ask you to do that. Thank you.

22 **CHAIRMAN GRAHAM:** Commissioner Brown.

23 **COMMISSIONER BROWN:** I remember that vote.
24 Thank you for pointing that out. I remember that
25 discussion, too. Going -- but what is your

1 recommendation with regard to water, the water system
2 for used and useful?

3 **MR. REILLY:** Really, given the Commission's
4 rule on used and useful, there's really not a way that
5 we can make a recommendation on that.

6 **COMMISSIONER BROWN:** Make a rec. Thank you.

7 **CHAIRMAN GRAHAM:** Staff, would you like to
8 comment on Mr. Reilly's concern?

9 **MS. BUYS:** He is correct that there's been no
10 change in circumstances. That land has been vacant
11 since 2004, no growth, no development. Mr. Schroder
12 even said that the permits were on hold. I just --

13 **CHAIRMAN GRAHAM:** So why did staff
14 recommendation go from 79 percent to 100 percent?

15 **MS. BUYS:** Because I don't see any potential
16 for growth. I believe -- you know, I don't think that
17 land is going to get developed. I mean, it's been ten
18 years vacant.

19 **CHAIRMAN GRAHAM:** Well, is there more
20 documentation that was provided that wasn't provided
21 last rate case?

22 **MS. BUYS:** After I talked to Mr. Schroder at
23 the customer meeting, I was, like he said, unclear about
24 what he said, so I sent an email to Mr. Curtain, the
25 representative of the co-op, and he said as far as he

1 knows there's only going to be a maintenance shed built
2 on the land.

3 **CHAIRMAN GRAHAM:** Okay. Mr. Reilly, do you
4 have another one?

5 **MR. REILLY:** I think Ms. Merchant was just
6 going to quantify, you know, what the impact of that
7 adjustment, if it was to be repeated.

8 **MS. MERCHANT:** I have taken -- staff did not
9 have this calculation in the work papers. What I --
10 there were a lot of audit adjustments and stipulated
11 adjustments to plant and accumulated depreciation and
12 depreciation expense. So what I did is I took the staff
13 recommended numbers for the water -- excuse me -- for
14 the wastewater treatment plant accounts and made all the
15 adjustments that staff has included in their, in their
16 recommendation and then applied the non-used and useful
17 to those amounts. I have come up with a net adjustment
18 to rate base, it's a decrease of \$307,350, 307,350.
19 Depreciation expense we believe should be reduced by
20 \$11,373, and property taxes should be reduced by \$4,011.
21 It's a revenue impact of about \$53,000 for wastewater.
22 Did I say water? Wastewater.

23 **CHAIRMAN GRAHAM:** Mr. Reilly.

24 **MR. REILLY:** That concludes our comments on
25 the used and useful of the wastewater treatment plant.

1 **CHAIRMAN GRAHAM:** Next issue.

2 **MR. REILLY:** The next issue would be Issue 13,
3 rate case expense.

4 **MS. MERCHANT:** OPC supports staff's
5 adjustments to rate case expense, but we believe that
6 further adjustments could be made. There's several
7 areas. I went back this morning and I was looking at
8 legal fees, I was looking at accounting, consulting
9 fees, and they have increased from the last rate case by
10 26 percent, each of them, for the amount that staff is
11 recommending for approval in this case, and it's only
12 been two and a half years.

13 You would think that with filing rate cases
14 every three years that they would have this down, the
15 formula down to put the MFRs together and to respond to
16 audit staff requests and staff data requests and things
17 like that. But one of the things that keeps coming back
18 to me is the number of adjustments that the utility
19 makes and that the staff auditors have to make. And,
20 you know, Public Counsel, we've been talking about this
21 for several years now. You know, the company added the
22 Project Phoenix and we thought that was a lot of money,
23 and then they still are making all these adjustments and
24 they're shifting between accounts and they -- between
25 rate cases they're shifting amounts from one account to

1 another and then the auditors have to come back in and
2 they have to shift. And one might understand that
3 they're incurring more in rate case expense because of
4 this, and that -- other than that, I can't, I can't
5 explain other than maybe the legal fees going up, the
6 hourly rate.

7 But, you know, the legal fees that staff has
8 recommend are 6,000 and 700,000 (sic), 6,000, 700,000
9 (sic) higher than those allowed in the last rate case,
10 and the accounting fees, the accounting consultant fees
11 are \$13,038. Both of those are 26 percent higher than
12 the final amounts allowed in the last rate case, and we
13 just don't believe that that's a reasonable amount of
14 rate case expense. But we do agree certainly with
15 disallowing the WSC costs, and we think that that's
16 duplicative of what's already booked in salaries. The
17 fact that they're working longer hours on a rate case,
18 they've still got that 100 percent of their salaries
19 allocated to Labrador for the test year salaries. So
20 adding on WSC cost on top of that is just adding icing
21 on it. And that's the conclusion of our rate case
22 expense comments.

23 **CHAIRMAN GRAHAM:** Commissioner Brown.

24 **COMMISSIONER BROWN:** I have to say,
25 Ms. Merchant, you are talking my talk. I feel very

1 strongly about rate case expense, especially with a
2 utility that comes in every two to three years. And
3 there should be some, you know, reductions and
4 deductions and economies of scale from past experience
5 handling these cases and with all the adjustments that
6 have been made, and it affects the amount of the overall
7 rate case expense. So you just -- I mean, you really
8 just hit it on the head.

9 But the question that I have for you is you
10 were talking about -- it's higher than -- it's about 26
11 percent higher than what the Commission found in the
12 last rate case for certain expenses. Not for the total
13 rate case expense. You went through the legal fees, the
14 accounting fees, there was a 26 percent increase. I
15 also saw -- I have the amount that we awarded with
16 regard to the legal fees in the last rate case.

17 Do you have a recommendation based on, on
18 your, on your point of view of what you believe would be
19 appropriate and prudent? And you can take some time
20 until the -- as we move through the discussion.

21 **MS. MERCHANT:** I liked your line of
22 questioning earlier that you were talking about the
23 hourly rate, and I'm not sure what the impact of that
24 would be if you went back.

25 A lot of the -- if you look in this current

1 rate case -- I'll flip back -- to page 22, in the legal
2 fees, actual legal fees as of the, I guess, staff's
3 recommendation or whenever they got the last data
4 request, was 25,000. They estimate an additional
5 14,000, and that's really kind of where the kick comes
6 in.

7 **COMMISSIONER BROWN:** Because the Commission
8 last, last rate case just two, three years ago found
9 25,000 as -- for legal fees. So it jumps up about
10 14,000.

11 **MS. MERCHANT:** Well -- excuse me -- in the
12 prior case, the Commission actually adjusted legal fees
13 for Labrador -- excuse me -- and they took them back to
14 the 2008 rate case salary -- or hourly rates for
15 Mr. Friedman, and there was another legal associate at
16 the time. But you could certainly do that, take them
17 back and adjust to a reasonable level of legal fees.
18 You could -- I think in several other cases you have
19 taken a ballpark and said, you know, this is a
20 reasonable amount of rate case expense that we think
21 should be allowed. And I'm not a lawyer, but I have a
22 lot of experience analyzing rate case expense in my
23 career, but I think really you could, you could look at
24 it yourself and just say what you believe is a
25 reasonable amount. I think what they incurred in the

1 last rate case was a reasonable amount and you could
2 limit it to that.

3 **COMMISSIONER BROWN:** And the total amount of
4 rate case expense from the last rate case, do you have
5 that, that number?

6 **MS. MERCHANT:** It was \$83,374. And in the
7 current case --

8 **COMMISSIONER BROWN:** And do you know what was
9 requested in the last rate case, the staff --

10 **MS. MERCHANT:** The MFRs, the MFRs requested
11 267,603.

12 **MR. BROWN:** And the utility's revised, actual,
13 and estimated is \$204,452.

14 **COMMISSIONER BROWN:** In this case. In this
15 case or --

16 **MR. BROWN:** No. In this case, the utility's
17 revised, actual, and estimated totaled \$142,797 in this
18 rate case, and staff made an adjustment of
19 approximately \$43,500.

20 **COMMISSIONER BROWN:** Okay. And could you
21 repeat the number of the last rate case of the revised?

22 **MR. BROWN:** Yes, ma'am. It was \$204,452 in
23 the last rate case.

24 **COMMISSIONER BROWN:** A difference of --

25 **MR. BROWN:** Approximately \$121,000 between

1 their revised, actual, and estimated, and Commission
2 approved.

3 **COMMISSIONER BROWN:** Okay. With regard to
4 what Ms. Merchant said with regard -- the legal fees, in
5 the last rate case the hourly billing rate we found --
6 what did we find?

7 **MR. BROWN:** I believe it was \$340 for
8 Mr. Friedman. There was an associate also, I believe,
9 in that docket. It may have been Christian Marcelli at
10 that time, and I think his rate was probably about 315
11 an hour.

12 **COMMISSIONER BROWN:** I believe the language
13 from the prior order though said that we applied the
14 hourly billing rate from the last rate case to the total
15 hours in the instant case to equate to a difference of a
16 certain amount; is that correct?

17 **MR. BROWN:** I do not recall that.

18 **COMMISSIONER BROWN:** Okay.

19 **MR. BROWN:** I didn't, I didn't go back and
20 look at the -- I went back and looked at the actual
21 adjustment that staff had.

22 **COMMISSIONER BROWN:** Just -- yeah.

23 **MR. BROWN:** In the calculations it looked like
24 it was \$340 an hour that we were using as Mr. Friedman's
25 salary or hourly rate.

1 **COMMISSIONER BROWN:** Again, there's got to be
2 some economies of scale. This utility comes in every
3 two to three years and yet the request seems to be
4 around the same with regard to legal fees particularly.
5 I think Ms. Merchant raises a very valid point.

6 **MS. MERCHANT:** In the order on page 21 it says
7 that the Commission allowed \$315 for the partner and
8 \$290 for the associate, which went back to the 2008 rate
9 case. That's how they came up with their adjustment for
10 legal fees in the 2011 rate case.

11 **MR. BROWN:** Commissioner, one point,
12 Ms. Norris pointed this out to me. In the last rate
13 case we have legal fees of \$25,459 that were approved by
14 the Commission, and then there's a separate filing fee
15 of \$4,000. In this current case, the filing fee is
16 actually included in legal fees, so that kind of narrows
17 the gap a little bit in that difference.

18 **COMMISSIONER BROWN:** To 29,000.

19 **MR. BROWN:** Correct. Yes, ma'am.

20 **COMMISSIONER BROWN:** So it would be about
21 \$4,000 more.

22 **MR. BROWN:** In this current rate case, yes,
23 ma'am.

24 **COMMISSIONER BROWN:** Okay.

25 **CHAIRMAN GRAHAM:** Okay. OPC, do you have one

1 last issue?

2 **MS. MERCHANT:** Yes.

3 **MR. REILLY:** Issue 14, operating expenses.

4 **MS. MERCHANT:** And, Commissioners, this is a
5 very large issue -- well, it has several points on it.
6 And if you direct -- if I can direct you to page 31.
7 The first one -- I want to talk about two points in this
8 issue.

9 The first one deals with pro forma expense to
10 televise and clean the gravity collection system. This
11 is another request for deferred maintenance the company
12 has not spent yet. They have, they have an estimate,
13 but it -- the vendor signed it but the company didn't
14 sign it. They say they're going to start it as soon as
15 the Commission approves the expense. I don't know -- I
16 don't want to go through any more detail, but I think
17 Public Counsel's position is that they were given two
18 opportunities in the two prior rate cases to do the
19 similar type thing and they didn't spend the money.
20 It's not that we're saying that they can't do the
21 project. It's that they need to show us that they're
22 going to spend the money.

23 And I think that in another case -- I can't
24 remember which one it was -- maybe it was Lake Utility
25 Services, another Utilities, Inc., case, the staff had

1 recommended that the company not get approval, that they
2 stay a portion of the rate increase until the company
3 had actually spent the money and showed that they
4 documented that. So that's, that's the biggest issue
5 that I have with that, and that's \$6,020 for the
6 wastewater system. It was a total -- it was a five-year
7 amortization period, so we would recommend that that be
8 disallowed until the company can come in and show that
9 they spent it.

10 The second one deals with wastewater
11 chemicals, and that's on page 32 of the recommendation
12 and still in Issue 14. And staff sent out a ninth set
13 of discovery data requests, it's probably the last one
14 they sent out, and there were four questions on that.
15 And the third question -- the whole series dealt with
16 chemical expenses. The third question asked since
17 you're going to be putting in this new odor control
18 system, how will your chemical expenses be changed? And
19 the company stated in there that they -- according to
20 the company, the elimination of \$16,395 in BIOXIDE -- I
21 don't know what that is -- purchase were the only change
22 in chemical expense due to the completion of the pro
23 forma project. And staff has already made one
24 correction to chemical expense to remove \$2,048. That
25 was on their spreadsheet. It's not something that y'all

1 have seen in your recommendation. So OPC believes that
2 on a going-forward basis this is a known and measurable
3 change that even though it was incurred in 2013, it's
4 certainly not being incurred now, and that \$14,347
5 should be reduced from test year chemical expenses for
6 the wastewater system.

7 **CHAIRMAN GRAHAM:** Staff. I've got a question
8 while you're thinking about your answer. We don't have
9 any sort of -- I guess I'm looking at mechanisms that we
10 may have in our toolbox as far as putting funds in silos
11 where they can only be used for specific things and they
12 can't be used for anything else or as far as some sort
13 of clawback. Because if you were given funds for a
14 specific project --

15 **MR. MAUREY:** Yes, Chairman. Money can be put
16 in escrow, or if you have discrete projects, they can
17 done through phased increases in the future.

18 **CHAIRMAN GRAHAM:** Okay. Does staff have any
19 other comments to what Ms. Merchant brought up as far as
20 operating expenses? It's okay if you don't. Trust me,
21 it's quite all right. We can move on to the utility
22 company. Okay?

23 OPC, that's your five concerns, and we talked
24 to the attorney, which is concern number six.

25 **MR. REILLY:** That's correct.

1 **CHAIRMAN GRAHAM:** Okay. Mr. Friedman, I think
2 staff answered the first one, which was, I guess --
3 OPC's first one, which was Phoenix. Unless you want to
4 drift into that water, I would suggest we move on to the
5 next one.

6 **MR. FRIEDMAN:** Well, Mr. Chairman,
7 Commissioners, we do have a couple of issues of our own
8 that we, we might want to -- we wanted to raise.

9 **CHAIRMAN GRAHAM:** Okay. Well, we can --

10 **MR. FRIEDMAN:** I thought it might be more
11 appropriate to raise our issues first, and then we could
12 go into responding to OPC. But we can do it another
13 way, if you would like.

14 **CHAIRMAN GRAHAM:** That's fine. I'll let you
15 go through your issues, and then you can go back and
16 answer OPC.

17 **MR. FRIEDMAN:** All right. Thank you.
18 Marty --

19 **CHAIRMAN GRAHAM:** If you'd rather do it, if
20 you'd rather do it that way.

21 **MR. FRIEDMAN:** Marty Friedman. Okay. Yes.
22 Marty Friedman, Friedman & Friedman, on behalf of
23 Labrador Utilities. Also with me to my left is John
24 Hoy, who's the president of the utility, and Patrick
25 Flynn, who's the vice president of the utility.

1 One thing to keep in mind is that this rate
2 case was driven by the improvements to the wastewater
3 treatment plant to address odor control. In connection
4 with the lawsuit that was mentioned by one of the
5 customers or representatives that just talked, there was
6 a lawsuit about the odor control at the wastewater
7 treatment plant, litigation. The parties agreed that
8 it's -- probably settling is better than litigating.
9 They ended up settling that case, and part of that was
10 that the utility was going to undertake certain odor
11 control improvements and that the HOA was going to
12 support a rate case to recover the capital and operating
13 cost of that new improvement, and that's really what
14 drove this case. And Mr. Hoy and Mr. Flynn can go into
15 greater detail, but that's really what drove the filing
16 of this case in the first place was the odor control in
17 the wastewater system.

18 The first issue I want to address is Issue 12.
19 This is one of the audit findings 9 and 10, and they
20 dovetail into this, into the expenses of the litigation.
21 The company had booked these litigation expense into
22 construction work in progress because it was all assumed
23 that it was going to, all of that was going to result
24 in, in some construction work, a project being
25 undertaken.

1 Since a, since a large amount of that incurred
2 in the test year and it was, you know, a non-recurring
3 expense, the auditor suggested that the amount of
4 that -- it's like a \$112,000 -- be deducted from test
5 year expense because it was a nonrecurring expense, and
6 then went on to comment in the audit that the typical
7 practice is to amortize these type expenses over five
8 years. We agreed that, that the total amount of those
9 expenses should not be in the -- the total amount of
10 those expenses during the test year shouldn't be
11 included, and we responded as such in response to the,
12 to the audit. We admitted that that entire amount
13 should not be included.

14 However, what the staff has done is they've
15 taken the amount out and then ignored the auditor's
16 comment that the appropriate way to handle it is an
17 amortization over five years. And that is -- that's,
18 frankly, the procedure we thought the staff was going to
19 take on this issue when it, when it accepted our
20 acknowledgment that the full amount shouldn't be in the
21 test year, and they, they, they only did half of it.
22 They accepted the part of the audit that deducted it but
23 didn't accept the part of the audit that follows the
24 general Commission -- and you've got a rule on this for
25 a nonrecurring expense is typically amortized over five

1 years unless a greater or lesser period of time is, is
2 justified for some reason. And, and there's no
3 discussion of why they have, why the staff recommended
4 zero and went against that rule and Commission practice
5 to amortize that amount.

6 **CHAIRMAN GRAHAM:** Staff.

7 **MR. FLETCHER:** Bart Fletcher. If I could
8 comment on that audit finding 9 and 10 that Mr. Friedman
9 is referring to. In the audit finding, the Commission
10 identified costs related to the litigation in both 9 and
11 10, and what was discussed in that audit finding is that
12 the appropriate accounting would be to record it as
13 preliminary survey investigation charges and basically
14 treat it the same as abandoned projects where you would
15 record or charge the entire expense for that litigation
16 into Account 427, miscellaneous nonutility expense, and
17 then the flip side you have another option, or you could
18 amortize it based on the Commission's rule, as
19 Mr. Friedman mentioned, over a five-year period, but it
20 was "or." And later in the audit findings for both of
21 them the effect on filing to remove the entire expense
22 was that, to completely remove it, and so there was an
23 option.

24 Nowhere in the utility's response to the audit
25 findings in this report was to say that we agree with

1 the entire removal and amortize. That part was not
2 mentioned. So whenever we get -- we agree to an audit
3 finding, we are going with the entire -- the effect on
4 the filing to remove the entire expense.

5 Now, with this litigation, I mean, that's
6 obviously up to the Commission. But based on their
7 response to the audit finding, they agreed to removing
8 the entire expense and didn't caveat it by saying we
9 agree with the other option. Rather than treating it as
10 a non, miscellaneous non-utility expense, we believe
11 that it should be removed and amortized. That was
12 lacking in the utility's audit response. So we moved
13 accordingly to remove it.

14 **CHAIRMAN GRAHAM:** Well, I guess my question --
15 unless I misunderstood, it sounded like that it was
16 removed but actually only half of it was removed. So
17 you've kind of, you scaled it down. And I guess I'm
18 missing something. It didn't sound like it was
19 100 percent removed. It sounded like part of it was
20 moved, and I think they're looking for the amortization
21 for the balance.

22 **MR. FLETCHER:** No. In the audit, two audit
23 findings the entire amount that was recorded in the test
24 year expenses were removed.

25 **CHAIRMAN GRAHAM:** Okay.

1 **MR. FLETCHER:** And that was going along with
2 the options that was laid out in the audit finding. You
3 could treat that as non-utility expense, or if you wish
4 to go further and just remove it and then amortize it,
5 that's the other option. The effect on filing to remove
6 it completely, that was in each audit finding, so that's
7 exactly what staff did in its Issue 12 is to remove the
8 entire amount and basically treat it as miscellaneous
9 non-utility expense. It was -- due to the lack of
10 clarification in the audit response to say that the
11 entire amount should be removed and it should be
12 amortized, we didn't receive that from the utility, so
13 we removed the entire amount.

14 **CHAIRMAN GRAHAM:** So had the utility's
15 auditors done that, then it would have been a different
16 story?

17 **MR. FLETCHER:** It very well could be. I mean,
18 that's up to -- for us to evaluate that expense whether
19 it should be prudent or not related to a settlement.
20 It's difficult for me right here on the fly to --
21 without further evaluating that what the total amount
22 would be prudent. Should it be a split between the
23 utility and the ratepayers because it was a settlement,
24 you didn't have a clearcut choice, should it be shared
25 both? I'm not entirely sure on that amount what

1 approach to take because of the lack of clarity in the
2 audit response at this time.

3 **CHAIRMAN GRAHAM:** Mr. Reilly, it seems like
4 you're jumping out of your seat.

5 **MR. REILLY:** Well, we weren't party to the
6 litigation or the settlement. I know I read the
7 settlement agreement, and it does, by its own terms,
8 specify that each party will bear its own attorneys'
9 fees and costs. So I thought that was very central to
10 this issue. But I would yield to the attorney that was
11 involved in the litigation for a quick response, if he
12 could.

13 **CHAIRMAN GRAHAM:** Please come up.

14 **MR. CURTAIN:** Thank you. I do have a couple
15 of copies of the settlement agreement with me. And part
16 of a settlement agreement, like anything in litigation,
17 is that you have consideration for a settlement
18 agreement. You have to understand how this agreement,
19 how this whole litigation came apart -- about was that
20 Labrador was not doing what they were supposed to do and
21 correcting the odor problem. It took the co-op to hire
22 my law firm to sue them to bring them to what we always
23 wanted them to do; correct the odor issue.

24 In the settlement agreement -- excuse me. I
25 had a birthday party this weekend with 15

1 five-year-olds, so my voice is a little bit dead. You
2 know, corralling them is like corralling cats, so I
3 apologize for that.

4 But we brought them here kicking and
5 screaming. They corrected the odor problem. The
6 settlement agreement contains the consideration that
7 they're going to correct it. It says that we will not
8 contest the capital improvements for the odor, which we
9 have not, but it also says, paragraph 2, right after it
10 says we won't contest the capital improvement costs, it
11 says this will be dismissed, all claims in the
12 above-styled action, including any claims for damages
13 and attorneys' fees with prejudice, with each party to
14 bear its own attorneys' fees and costs, the Court
15 retaining jurisdiction to enforce the terms of this
16 settlement agreement.

17 We were on the eve of a summary judgment to
18 evict them for failure to, one, on the odor and for
19 failure to pay on their lease obligations. If they're
20 now saying they want us to pay the attorneys' fees,
21 that's taking away our consideration right here, you
22 know, because they're going, they're going a backdoor
23 way to pay the attorneys' fees and costs of that
24 litigation, which they agreed in the settlement
25 agreement not to pay.

1 And I agree with Mr. Friedman that lawyers are
2 supposed to be paid a reasonable amount and all lawyers
3 have to be paid a reasonable amount. My co-op paid me a
4 reasonable amount for that litigation. I'm sure
5 Labrador paid their attorneys a reasonable amount for
6 that litigation. And everybody said they'll eat it
7 basically, you know, each side would take their own
8 attorneys' fees.

9 **CHAIRMAN GRAHAM:** Thank you.

10 Mr. Friedman.

11 **MR. HOY:** John Hoy for the utility. If I
12 could clarify briefly, the reason for the lawsuit, I
13 mean, it came about, as you heard, primarily around the
14 lease payment. The facilities we, we own sit on leased
15 property, and there was an automatic renewal or an
16 escalator in a lease that, that didn't happen right away
17 and caused a late payment in the escalated amount. That
18 started the, the discussion and the suit around eviction
19 from the lease property. That led us down the road of
20 being a utility without land and, and looking for other
21 alternatives to either acquire the land, condemn the
22 land. We had to bring in different, different legal
23 counsel in order to assess the need for or the options
24 we had in order to continue to provide the service that
25 we're obligated to provide. So that was the whole, the

1 whole issue around the, the suit.

2 And what ultimately prevailed was, as was
3 discussed, was a settlement that got at the issue of the
4 odor control. And we then went through the process of
5 designing, with the co-op's consent and oversight, odor
6 control equipment that would solve the problem that we
7 agreed was, was at the heart of it. So, and with that
8 was, was the agreement not to contest the, you know, the
9 rate proceeding here as we look to recover those costs.

10 **MR. FRIEDMAN:** On counsel's comment about the
11 rate case expense, each party bearing its own, it's just
12 like any -- I mean, as Mr. Hoy said, we were drawn into
13 this. It's nothing something we, we went down and sued
14 somebody. And the provision that says that we will take
15 care of our own rate case expense means -- take care of
16 our own litigation expense means just that, the company,
17 it's an expense to the company. And their portion of
18 the litigation expense for that lawsuit was a company
19 expense just like any other expense and, and should have
20 been amortized.

21 And I'm just hard pressed to think that the
22 staff could sit there and go, all right, well, the
23 utility didn't specifically tell us whether they didn't
24 want any of it or whether they wanted five, you know,
25 amortized over five years. Now, I can't imagine the

1 staff saying, no, no, we think they probably just didn't
2 want any of that revenue. I mean, I don't think the
3 staff can look at you in good faith and say, yeah, we
4 thought they wanted nothing instead of something they
5 might be entitled to out of the two choices that you
6 have. And I just, I think it's just hard to fathom that
7 they would have that misunderstanding of what our
8 position would have been with regard to taking that full
9 amount out. Do we amortize it or do we get none of it?
10 Obviously we would have wanted it amortized. I don't
11 think any of you could have looked at it and thought
12 anything other than that.

13 **CHAIRMAN GRAHAM:** Well, I guess I have a
14 question. The settlement that was just spoken of said
15 that Utilities, Inc., was going to handle their own part
16 of the legal fees and that the co-op was going to handle
17 their legal fees. What was your anticipation of what
18 that meant? Because I guess if not for that, how would
19 anything have been any different?

20 **MR. FRIEDMAN:** Well, I can tell you generally
21 I wasn't the lawyer for Labrador in that case.

22 **CHAIRMAN GRAHAM:** But, I mean -- but the
23 way -- did you read the settlement that they signed?

24 **MR. FRIEDMAN:** I'll have to ask Mr. Hoy to
25 answer that because I wasn't a party. But I know

1 generally those provisions and what those provisions are
2 intended to do because I'm involved with them all the
3 time.

4 **CHAIRMAN GRAHAM:** Well, I guess my question is
5 if that --

6 **MR. FRIEDMAN:** But with regard to --

7 **CHAIRMAN GRAHAM:** -- if that was not in there,
8 how would, how would things have changed if you would
9 not have agreed to handle your legal fees? What would
10 be -- you would still be coming before us with those
11 legal fees to get reimbursed, so I don't understand
12 putting that in that settlement, how that changed
13 anything.

14 **MR. FRIEDMAN:** It doesn't.

15 **MR. HOY:** I think the language in the
16 settlement meant that each party would, would take care
17 of its own legal expenses as opposed to one party, you
18 know, picking up the other's.

19 **CHAIRMAN GRAHAM:** But what I'm, what I'm
20 hearing them saying is they -- their anticipation of
21 what that meant was Utilities, Inc., would pick it up
22 and not come back around through rate case to get it
23 back through the ratepayers.

24 **MR. HOY:** I don't think that was the intent.
25 I think we said that that was an expense that we

1 incurred, that we incur like any other expense, and
2 would be --

3 **CHAIRMAN GRAHAM:** So what was the point of
4 putting that language in the settlement agreement?

5 **MR. HOY:** I think that's typical settlement
6 language about where the legal expenses would go, to
7 what parties versus one party is going to pick it all up
8 or divide it something, something differently.

9 Commissioner Brown.

10 **COMMISSIONER BROWN:** But -- and, yes,
11 typically you could find that in a settlement agreement,
12 but the distinction here is that the other party are the
13 customers. So it's kind of -- it brings kind of the
14 query to us, what was the intent behind that provision?
15 I mean, the other party is the customers.

16 **MR. FRIEDMAN:** The other party, the other
17 party is not the customers. The other party was the
18 HOA, which only represents about 30 percent of the
19 customers. I mean, the co-op is the plaintiff. The
20 co-op, as I think somebody testified today, I forget the
21 exact number, but --

22 **CHAIRMAN GRAHAM:** Let's -- that was one of
23 your issues. Let's go on to your other issues.

24 **MR. FRIEDMAN:** The next issue would be rate
25 case expense. As you heard earlier on Sanlando, the

1 staff took the, the staff took the rate case expense
2 that was asked for and put it back into salaries because
3 it -- we had shown to them that that amount of rate case
4 expense was, in fact, cap time and deducted from the
5 salary expense that we had submitted in connection with
6 the rate case. And so our position in that, that case,
7 as it is in this, is you shouldn't take it both. We
8 either should be entitled to it as salaries or we should
9 be entitled to what we took out of salaries as rate case
10 expense, but you shouldn't take it out both places. And
11 they, they made that correction in the Sanlando case but
12 did not do it in Labrador.

13 **CHAIRMAN GRAHAM:** Staff?

14 **MS. NORRIS:** Yes. We, we went through the
15 same exercise for both Sanlando and Labrador, evaluating
16 the cap time adjustments made both -- reflected in the
17 MFRs, which were test year and direct charges to the
18 utilities. We also looked at the cap time adjustment
19 that was used to annualize salaries as a part of the
20 audit adjustment. There were some irreconcilable
21 differences.

22 We looked at what Mr. Friedman sent last week,
23 at the end of last week to try to see if we could carve
24 out and merely ensure, like I reiterated, I guess, from
25 Sanlando that we reflected a full year's salary without

1 any cap time adjustments from rate case expense.

2 So the differences in Sanlando and the
3 adjustment we made in Sanlando was not just injecting
4 back the 43,000 from Sanlando. That was the difference
5 between the cap time that was adjusted for in the audit
6 adjustment and what was actually incurred per the books
7 for plant type projects.

8 We did the same analysis in Labrador, and the
9 amount that was adjusted for cap time that's reflected
10 in the audit adjustments that's accepted and reflected
11 in salaries was about the same as what was recorded for
12 the test year and going back to the actual plant
13 projects. That's why we did not feel there was an
14 adjustment necessary to salary and wages in Labrador.

15 **CHAIRMAN GRAHAM:** Mr. Friedman, next issue.

16 **MR. FRIEDMAN:** The next issue that I'll just
17 mention without a lot of discussion is, again, the, the
18 expenses for the leadership conference were, were taken
19 out of this as well as it was in Sanlando. And I'll
20 just leave that at that, but we do disagree with that.

21 **MS. NORRIS:** Could I also, I guess, make one
22 more note with -- on the Rosen Center as far as staff's
23 basis for making the adjustment is that when the utility
24 responded with their itemized list of expenses, one
25 thing that jumped out to us as different from our

1 sample, the audit sample, which does not clearly
2 identify every single expense in that account, but
3 within that sample we identified at least a couple of
4 airfares that looked to be associated around the same
5 time and mentioned leadership training. So that's kind
6 of the reason we actually posed that question to see if
7 we could get a total feel, total expense of the cost for
8 this leadership training.

9 A part of their justification and one that was
10 spoken about today regarded the cost issue that, you
11 know, this ended up being a lower cost alternative.
12 It's hard for us to evaluate from a total perspective if
13 we don't have that full information. In response to
14 Mr. Friedman's email Friday, I went through additional
15 expense items and reports that weren't totally sampled
16 but included as a part of the audit work papers, and I
17 was able to identify at least five others that fell into
18 the same charge object code that would be included in
19 miscellaneous expenses. So that is essentially the
20 basis as well for that, for that adjustment is the fact
21 that we can't do a total analysis as to the
22 reasonableness of the costs associated with it when
23 they're not self-reported by the utility in an authentic
24 manner.

25 **MR. FRIEDMAN:** So I think we know what, what

1 our marching orders in the future are for documentation
2 of that if we want that considered again. We're
3 certainly well schooled in that.

4 **CHAIRMAN GRAHAM:** Are those your only three
5 issues?

6 **MR. FRIEDMAN:** They are. And if we can start
7 maybe addressing the Public Counsel's issue. I'm going
8 to ask Mr. Flynn to address the quality of service
9 issue. He was the one that was primarily involved in,
10 in addressing the odor control issue with the, with the
11 residents.

12 Mr. Flynn.

13 **MR. FLYNN:** Yes. Commissioners, the odor
14 control equipment was installed last year after
15 settlement had been reached in 2013 with the co-op. In
16 that, in that discussion we agreed to meet with the
17 co-op board and give them the opportunity to meet with
18 the engineer selected to design the improvements and to
19 review the cost estimate and ultimately to review and
20 approve the investment in the odor control equipment
21 once the bids are received and communicated. So that
22 was all done over a series of meetings with the Forest
23 Lake Estates Co-op board.

24 We met six times over the two years, and with
25 each of those meetings the meetings were relatively

1 informal, but they were designed to obviously focus on
2 the odor control project components. But we also, at
3 the same meeting, solicited or asked them to identify to
4 us any other issues they might have. In some cases they
5 did. Some are minor in nature and not even ancillary to
6 the odor control project.

7 The point is that we were in attendance with
8 these customers, this board, and requested they provide
9 us with any specific issues they may have. The water
10 quality issue did not really arise in those discussions.
11 In fact, I had a meeting in March, this past March with
12 the board in which I identified the concern I had with a
13 water quality result from February's samples that
14 indicated a high manganese level in the water, in the
15 distribution system and that we were concerned about
16 that and wanted to investigate further and we would do
17 so. And that potentially if it was found to be an
18 accurate value, we suggested maybe the next step would
19 be to contact a qualified consultant to evaluate what
20 might be the source of that manganese value changing and
21 what options there might be for treatment alternatives
22 or any costs associated with those alternatives.

23 So we subsequently went back to the laboratory
24 to -- and also pulled some samples elsewhere in the
25 distribution and at the plant, analyzed for manganese.

1 Found that the laboratory had contaminated their sample
2 container in the -- in their -- under their control, so
3 they were unable to -- they were able to sample a
4 separate sample that they had preserved differently.
5 Essentially it invalidated the manganese level that was
6 elevated. It was not an accurate value.

7 So in that context, we were relieved that
8 there wasn't a major change in the water quality in the
9 aquifer, but nevertheless we requested a proposal from a
10 consultant to give us some scope of, scope of services
11 that would allow us to investigate further the, the
12 water treatment methodology and alternatives. So we've
13 just received that second version this past week, and
14 it's our intention to pursue that and, in fact, have a
15 consultant do some investigation of alternatives over
16 the next, next couple of months.

17 **CHAIRMAN GRAHAM:** Commissioner Brown.

18 **MR. FRIEDMAN:** I would point out that the
19 water quality meets all primary and secondary standards,
20 except I think there's a little elevation in the iron.
21 Is that correct?

22 **MR. FLYNN:** Yes, that's right. Iron is the
23 one value that's above the secondary standards.

24 **CHAIRMAN GRAHAM:** Commissioner Brown.

25 **COMMISSIONER BROWN:** Mr. Flynn, in other parts

1 of the state Utilities, Inc., operates and has been
2 found to have good quality service, good customer
3 satisfaction. This particular utility, I think another
4 customer cited Summertree, but this particular utility
5 has a history of having marginal quality of service.
6 The last rate case we found marginal wastewater. We
7 directed the utility to make steps, to take efforts and
8 engage customers, to have discussions about -- and
9 although we found the water satisfactory in our order,
10 we encouraged the utility to have discussions with those
11 customers regarding aesthetic water quality standards.
12 And you're saying just as recent as March you began
13 those discussions on the water quality side. Again, I'm
14 just trying to clarify when those discussions occurred
15 with the, with the customers.

16 **MR. FLYNN:** Well, after the last rate case we
17 had a delay in any discussion until such time as the
18 settlement was, was achieved in 2013, the legal issue.
19 Thereafter, we met frequently with the, with the --
20 those customers and that board. And so we -- I asked --

21 **COMMISSIONER BROWN:** On the wastewater side
22 though. I'm talking about water quality issues like the
23 aesthetic nature, things that were discussed today here
24 by the customers.

25 **MR. FLYNN:** Well, Commissioner, we, we

1 solicited from them any comments or concerns they had on
2 any utility matter in those meetings. And so at the
3 point in time we did not have their feedback that there
4 was a concern of water quality at those meetings.

5 **COMMISSIONER BROWN:** Well, again, I mean,
6 this, this utility, this particular system that
7 Utilities, Inc., operates has a history of having
8 marginal quality of service. So you should have been on
9 notice, and I thought our order was clear, to have those
10 discussions with the customer groups. And clearly there
11 is an issue. You hear from the customers, you've seen
12 the survey results, so there is an issue with regard to
13 water quality.

14 **MR. FLYNN:** I understand.

15 **COMMISSIONER BROWN:** Thank you.

16 **CHAIRMAN GRAHAM:** Commissioner Brisé.

17 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.

18 And along the same lines as Commissioner
19 Brown, what does the utility say with respect to the,
20 the issues that go beyond the quality of the water but
21 more of the customer service and things of that nature?
22 Can you address those issues?

23 **MR. HOY:** Sure. Let me, let me address that,
24 Commissioner.

25 First of all, back to Commissioner Brown's

1 question about just the history here, and I will say
2 that -- I mean, this is a system for us and we take a
3 lot of pride, you know, in what we do and we want to
4 solve problems. I mean, that's, that's the kind of
5 service we, we look forward to and providing service
6 that the customers are expecting.

7 That said, this particular system, it's 800 or
8 900 connections. It's a fairly small, you know, system.
9 The other challenge is there's a good bit of seasonal
10 residency. So I think with the table that OPC provided
11 with the expectation of what an average monthly bill
12 might be, I mean, the consumption is even lower than
13 that, so it's fairly low. So it does provide us with
14 some challenges, just operational challenges.

15 But really what we're after is trying to work
16 with the customers on the issues that they've raised.
17 It's odor control at the wastewater plant. That was the
18 number one issue. And we worked -- after we got through
19 the lawsuit and then the settlement of that, we worked
20 very hard to come up with a resolution to that that
21 balanced the, the need for the improvement of service
22 with the cost, and that's, that's a challenge. You
23 know, when you only have 800 or 900 customers and you've
24 got to put a lot of money and a lot of capital into some
25 of these issues, you want to make sure you're doing, A,

1 you're doing the right thing and, B, that the customers
2 understand that and they go along with it.

3 So if -- you know, we did that on the
4 wastewater. That's why we're here today, I think,
5 because we collectively thought that that was the right
6 investment. They were with us every step of the way at
7 least to improve the plans and what we were going to get
8 out of it. And so we thought today that, you know, that
9 we're coming together to, to seek recovery of that.

10 On the water side, you know, that's, that's
11 the next step, you know. But, again, cost. And we just
12 want to make sure -- again, we're doing -- we
13 understand, A, we understand the issue and what it is,
14 so knowing what to correct, and then, B, what the right
15 fix is and how much it's going to cost and what the
16 impact is going to be on the bill. So, you know, we
17 don't want to come here again with a big surprise of how
18 much, you know, what it costs to fix and what the, what
19 the ultimate impact is.

20 With respect to, Commissioner Brisé, to your
21 question on the other issues, I took them down. I'm
22 happy to see the folks here today because we -- it's
23 painful sometimes to hear the comments, but they're
24 comments we can continue to take and look into our, our
25 service. We have not heard a lot recently about, you

1 know, customer, our customer service on the phones and
2 that kind of thing, so I'll investigate the, the
3 individual issues that were brought up.

4 I'm trying to remember the other non-quality
5 of service -- or water quality, odor complaints that
6 were raised, but I did hear the billing and the
7 customer service that I will definitely take back.

8 **CHAIRMAN GRAHAM:** I think one of the other
9 concerns and one of the things that I heard was
10 notification as far as when water is going to be turned
11 off.

12 **MR. HOY:** Yeah. We, we try to do those things
13 at the most optimum time for customers. I know we've
14 got to do a -- take down the system as we bring the new
15 tank online, and we talked a good bit about what the
16 right way to do that is, the most convenient time, give
17 customers enough notice for when the system will be down
18 so they can plan accordingly. So that's something we
19 try to do. Patrick.

20 **MR. FLYNN:** As an example, the timing of when
21 we had to temporarily schedule an outage to allow the
22 pipe connection to be completed to the new tank included
23 us notifying by mail all the customers ahead of time the
24 day and the timing, the time block that would be
25 associated with that. So we were trying to be proactive

1 to minimize the impact to individual customers.

2 In outages that have occurred in times past --
3 we haven't had any, any frequent number since 2013. We
4 finished the construction and brought online a new pump
5 station at the water plant. We had major problems
6 initially in that time period; we had six outages in a
7 short time interval. That was primarily driven by the
8 lack of clean electric power from the co-op,
9 Withlacoochee River Co-op. So that was rectified, and
10 we've had pretty good performance thereafter with
11 respect to outages not being frequent or limited in
12 duration. And when we do have an outage, our
13 methodology is to do a reverse 911 call to our customers
14 whose phone numbers are of record. They can be apprised
15 of our outage and the timing of the boil water advisory
16 to be in effect, and to repeat the process when we
17 rescind the boil water advisory.

18 On occasion I'm sure we have instances where
19 we have -- a given street may have an outage for
20 repairs, and the normal remedy is to hang door hangers
21 identifying that there's a boil water advisory in place
22 that affects those individual customers.

23 Certainly some customers are not going to be
24 apprised that way universally because not everybody has
25 a phone number on account with us or not everyone is

1 leaving the park in a given time period and they might
2 see a sign at the front entrance that identifies an
3 outage, a boil water advisory.

4 There's no one perfect answer. We utilize
5 multiple means of communication, but not everybody
6 necessarily is going to be apprised.

7 **CHAIRMAN GRAHAM:** Do you, do you guys
8 currently have the ability to do those calls you're
9 talking about, like robo calls, automatic calls?

10 **MR. FLYNN:** Yes.

11 **CHAIRMAN GRAHAM:** You call everybody that's on
12 record?

13 **MR. FLYNN:** Yes, we do that. We do that. We
14 have a methodology to accomplish that. It's internal to
15 our business, and we do that frequently wherever it's
16 appropriate.

17 **CHAIRMAN GRAHAM:** Do you do that to all your
18 Florida utilities when you can?

19 **MR. FLYNN:** Yes. We try to do that,
20 especially where it's a significant number of customers
21 affected all in one location so we can send out the
22 message quickly to a large number.

23 **CHAIRMAN GRAHAM:** That was one of the
24 suggestions I was going to have. I'm glad to hear
25 you've already done it, that you're already doing it.

1 Commissioner Patronis.

2 **COMMISSIONER PATRONIS:** Thank you, Mr.

3 Chairman.

4 Just kind of looking at the prior ownership,
5 you do an amount of due diligence before you acquire one
6 of these facilities. Are the same folks that are doing
7 due diligence that purchased this one doing your other
8 acquisitions?

9 **MR. HOY:** As we acquire systems, yes, we do
10 the due diligence, and we have on this system for, for a
11 number of years. But we look at the, you know, what --
12 a number of things would be, what the quality of service
13 is, what the investment would need to be, what the rates
14 currently are, and try to factor that all into whether,
15 you know, we can -- what our challenges are going to be
16 going forward.

17 You know, this is, this is a system where we
18 knew there was going to be some investment, and then
19 we've been working to make that investment wisely, and
20 also work with customers to, to figure out what the rate
21 impact would be so we're prioritizing the investments
22 properly.

23 **COMMISSIONER PATRONIS:** Well --

24 **CHAIRMAN GRAHAM:** Sure.

25 **COMMISSIONER PATRONIS:** -- I guess what I'm --

1 I can't imagine the, just the stomach churning you go
2 through to let folks know you're going to have to shut
3 down a water system in order to replace a tank and the
4 headache that that must, you know, undertake in order to
5 do that. You're going to have customers that will be
6 inconvenienced, and at the same time you're trying to
7 get your system where it needs to be, you know. And I
8 guess I'm just kind of wondering, I'm looking at this
9 timeline of all the different docket rate case
10 increases, you know, I'm kind of wondering how accurate
11 your predictions were of what it was going to cost to
12 get this system where it needs to be. Were there other
13 unforeseen challenges that your company has experienced
14 since 2002 that, that have kind of led to some, some
15 drama?

16 **MR. HOY:** Well, as I mentioned before, one of
17 the challenges is the size of the system. So when
18 you've got to make improvements and there's only, you
19 know, 800 or 900 customers there and they are seasonal
20 in nature, that, you know, a water tank is needed
21 whether sometimes it's 800 or 3,000. Odor control could
22 be the same thing. So just fewer customers, fewer
23 volume -- lesser volume to spread it over. So that's
24 probably the challenge.

25 I would say that, you know, the progression of

1 rates, you know, looks like every three years or so
2 that, you know, we've been in for a rate increase, and
3 trying to time those so we're not in all the time. Rate
4 case expense is obviously an issue, so we can't come in
5 every six months or every year, although some of that
6 would be, would be helpful if we could do that and make
7 the rate increases a little smaller. But we've got to
8 balance the need for capital improvement, rate
9 increases, and the timing of rate cases and the expense
10 to go through to get those in order to make it all work.
11 Again, one more challenge.

12 **COMMISSIONER PATRONIS:** Sure. Thank you,
13 Mr. Chairman.

14 **CHAIRMAN GRAHAM:** All right. We're getting
15 ready to take about a five-minute break. Actually
16 we'll -- I guess we'll break until 1:30 on that clock
17 back behind, back behind all you. But Utilities, Inc.,
18 I want to let you know that we're still looking for the
19 tank discussion, the used and usefulness, and the rate
20 case expense when we come back.

21 **MR. FRIEDMAN:** (Inaudible. Microphone not
22 on.)

23 **CHAIRMAN GRAHAM:** Got you. So we'll take a
24 break, it looks like for about seven or eight minutes.

25 (Recess.)

1 I have to apologize. It took a little longer
2 than I thought. I got waylaid by our Executive
3 Director. But let's continue on. I believe,
4 Mr. Friedman.

5 **MR. FRIEDMAN:** Thank you, Mr. Chairman. I
6 believe we're on the issue of the ground storage tank,
7 which will be Issue No. 4.

8 **CHAIRMAN GRAHAM:** Yes.

9 **MR. FRIEDMAN:** The OPC is, is making an
10 argument that, that we were given \$48,000 in maintenance
11 fees over the last number of years and what did we do
12 with them? You know, when -- it's a budgeted item. You
13 budget an amount of money for a particular project, and
14 as the year and years go on, money within that budget is
15 going to shift as the need for that money is, is needed
16 somewhere else. And that's what the staff has pointed
17 out is that as that money shifted to, to whatever other
18 expense that it needed to go to, that the company was
19 still significantly underearning. And so it's, it's not
20 appropriate regulatory-wise to track particular expenses
21 because one expense may turn out during the subsequent
22 year to be less than it was in the test year. Another
23 expense may be higher than what you thought it would be
24 prospectively. So what you're doing is you're looking
25 at overall expenses versus revenue. And as the staff

1 pointed out, the company was underearning. So there's
2 really nothing inappropriate about what was done with
3 regard to that expense.

4 Secondly is that there is -- that tank was
5 33 years old. I mean, there's no showing that, boy, we
6 could have kept that maintenance expense going forever
7 and ever and ever and we'd have never had to replace
8 that tank. There's nothing that says that. It's a
9 33-year-old tank that needed replacing, and that's
10 exactly what the, what the company did. And that was
11 prudent, and there's nothing imprudent about the way it
12 maintained that during the interim period. And I'm
13 going to ask Mr. Flynn to weigh in as well.

14 **MR. FLYNN:** I would second what Mr. Friedman
15 just said. The tank's service life was at an end. It
16 was time to replace it as a function of the condition of
17 the steel, the pipe structures. The expectation going
18 forward on how to, how to access the interior of the
19 tank through the top hatch, the cover, the cover, the
20 top of the tank itself was in degradation. It had been
21 replaced before. But the, the tank overall did not have
22 any substantial likelihood of additional service life,
23 and so its time for replacement was upon us. And that's
24 what this pro forma project describes, the asset
25 replacement.

1 **CHAIRMAN GRAHAM:** Well, I -- my own
2 perception, you come before this Commission for a rate
3 case and you come in with your O&M costs, and staff
4 looks at all that information and says, okay, your O&M
5 costs are going to go up 5 percent because we
6 understand, as Mr. Friedman says, costs go up,
7 everybody's costs go up sort of thing. But you --
8 another line item came in saying, well, on top of the
9 normal O&M costs we are going to do extra maintenance on
10 the tank, we're going to paint the tank, we're going to
11 try to do some refurbishing to the tank, but we're going
12 to set aside a specific dollar amount to address this
13 tank. And it seemed like none of that stuff was done
14 and you used that tank fund to do your normal day-to-day
15 O&M costs. Now, that's what initially my concern was.

16 Now, I could go back and talk to where staff
17 was saying that it becomes a full circle because of the
18 underearnings, they could come back and it got -- for
19 another -- you know, come in to get the underearnings
20 fixed. Oh, we could just use, quote, the tank fund over
21 here to take care of the normal day-to-day O&M costs.
22 So we don't need to get in and micromanage your
23 day-to-day business. I get that. But when it first
24 came up and the first thought that popped into my head
25 was, you know, this agency was sold on you're going to

1 spend more effort on that tank. That was not done, and
2 I think that's where the concern is.

3 **MR. FLYNN:** Yes, sir, and I understand that.
4 At the time we had full expectations of accomplishing
5 those tasks. But subsequent to that rate case, it was
6 made evident that the condition of the tank was such
7 that it was not such condition that would be worth
8 spending that money. The answer was better to time the
9 replacement of the tank, and, of course, we're doing
10 that now.

11 So we essentially postponed those maintenance
12 activities and maximized the life of that tank to the
13 extent we could before we had to get to the point of
14 capital investment of a whole tank replacement, which is
15 about \$100,000, \$200,000.

16 **CHAIRMAN GRAHAM:** Okay. Next one, used and
17 useful.

18 **MR. FRIEDMAN:** Thank you, Mr. Chairman,
19 Commissioners.

20 Public Counsel has suggested that there hasn't
21 been any change since the last rate case and that the
22 used and useful should not change from the last rate
23 case either, which is 79 point something percent.

24 There are several differences. Number one is
25 that that little -- with regard to all the land around

1 where, where Labrador Utilities serves, you know,
2 there's vacant land out there. But I can tell you if
3 that land didn't develop during the boom, it's not going
4 to develop in the rest of our lifetime. And that's just
5 a -- I think that's a red herring that there might be
6 some possibility sometime in the future that somebody
7 would want to develop some of that land way out there in
8 the middle of nowhere.

9 The other issue which I think that they are
10 probably arguing more reasonably is the 11.6 acre land,
11 piece of property. The -- in the prior rate cases, the,
12 the Commission has reduced the used and usefulness under
13 the assumption that that piece of property was going to
14 be developed. Here we are ten years later and it still
15 isn't being developed, is no closer to being developed,
16 and it's finally time to say, you know, maybe it's not
17 going to be developed. And that's what the staff did
18 based upon their discussions with the owner of that
19 piece of property about what was going to be done.

20 There's no showing that there are any
21 development plans for developing that property. There's
22 no showing that, that anything has been filed to develop
23 that property. In fact, I think the witness said that
24 there was a moratorium on more permits. And so to say
25 that that 11.6-acre parcel will be developed in a

1 reasonable time in the future is purely speculative.
2 And as a result, the staff's recommendation that it
3 should be 100 percent used and useful is a reasonable
4 one and follows sound regulatory practice.

5 Mr. Flynn, you got anything you want to add to
6 that?

7 **MR. FLYNN:** Well, the plant was designed for
8 216,000 gallons per day by the developers, engineer way
9 back at the beginning before our time. It hasn't
10 changed at all under our ownership. It was designed for
11 280 gallons per day per connection, which is a standard
12 engineering design parameter or methodology. There was
13 nothing to dictate anything different at that point in
14 time as far as I know. We have plants in service with
15 similar design characteristics across Florida, so it's
16 not anything different from those.

17 The, the plants serve a seasonal customer
18 base, so when the plant is -- when it's January,
19 February and the occupancy of the park is maximized, the
20 flow through the treatment plant is a 100,000 gallons or
21 more for two or three months at a time. So the design
22 characteristics were adequate back then for the
23 expectation of what the number of customers would be and
24 the flow that would be generated by those customers
25 based on the standard methodology for calculating those

1 characteristics.

2 Since that time, certainly customers have
3 diminished their water usage pattern and -- through
4 plumbing fixtures that are more energy -- water
5 efficient, for instance, multiple different
6 methodologies for that. So the plant is utilized for
7 serving the community of Forest Lake Estates and the
8 mobile home park and the RV park and nothing else, and
9 it's designed appropriately at that point in time and
10 continues to be that way.

11 **CHAIRMAN GRAHAM:** Okay. Rate case expense,
12 the 26 percent as far as accounting and that sort of
13 stuff.

14 **MR. FRIEDMAN:** I'm sorry. What did you --
15 what was your last comment?

16 **CHAIRMAN GRAHAM:** Ms. Merchant mentioned how
17 accounting went up by 26 percent, but yet you were just
18 in here two and a half years ago, and why legal fees
19 went up. And I think you addressed the legal fees, but
20 I guess the question that I heard that I guess I need an
21 answer to or looking for an answer to is why is there
22 such a great expense increase in just a short period of
23 time?

24 **MR. FRIEDMAN:** I don't, I don't think there's
25 an increase. I mean, I look at the legal expense, which

1 seems to be the bulk of the discussion was on, which is
2 something obviously I take very personally.

3 **CHAIRMAN GRAHAM:** Because it's nobody likes
4 you.

5 **MR. FRIEDMAN:** I'm sorry?

6 **CHAIRMAN GRAHAM:** Because nobody likes you.

7 (Laughter.)

8 **MR. FRIEDMAN:** Well, you know, and I'm going
9 to get there. I don't know exactly what that meant, but
10 I could take that, I could take that many, I could take
11 that many different ways, but I'll try to take it in the
12 one most favorable to myself.

13 The, the last rate case, and I don't know how
14 many of y'all were here back then, but it was an
15 anomaly. The rate case expense, like was pointed out,
16 was that they cut the rate, the legal rate case expense
17 hourly rate back to what it was in 2008. And, and I
18 think that was a -- I don't, I don't know what the
19 reasoning was for it, but it was clearly an arbitrary
20 action to, to reduce the rate case expense for whatever
21 reason the Commissioners chose at that time.

22 The analysis that should be done is not
23 necessarily how much it was last time or how much it is
24 next time. Particularly you look at the total amount
25 that was charged, and if -- as I think somebody on the

1 staff pointed out, included in the legal rate case
2 expense in this case is the \$4,000 filing fee. It was
3 not included in the last rate case. And when you take
4 out the \$4,000 filing fee, the amounts are a couple of
5 thousand dollars difference, which I think is, is
6 dramatic considering that that basically was looking at
7 a 2008 rate, hourly rate versus a 2013. And the
8 consideration ought not to be how much did my rate go up
9 every year or how much did my rate go up in the last two
10 years. The analysis should be what is a reasonable rate
11 today that should be charged?

12 And if you look at the rate case expense
13 hourly rates that this Commission has granted for water
14 and sewer utilities -- I don't know what you're doing
15 for the electric and gas, but I'm sure they're way up
16 there -- if you look at what you've approved in the
17 past, a couple of years ago you approved for Bruce May,
18 great lawyer, did the Aqua case, you approved \$360 an
19 hour for him. Susan Clark, who worked on the Water
20 Management Services case, former Commissioner, you
21 approved \$400 an hour for her. And I'm not putting down
22 either of those lawyers, but I will tell you this, that
23 I don't think either of them have half the experience I
24 do in handling rate cases. And to, and to say a \$360 an
25 hour rate, when you've approved higher rates for other

1 lawyers and plus the time value since some of those are
2 years ago, and Susan Clark's was four, four or five
3 years ago \$400 an hour, I think is, is looking at it
4 from the wrong way.

5 You need to look at it and say what is a
6 reasonable rate for somebody, a utility company to
7 charge to get competent counsel to represent them in
8 cases like this? This is a unique type of practice.
9 You can't go down to the, just walk, go in and open up
10 the yellow pages and say water and sewer utility lawyer.
11 You know how many you'll find? None. I guess they
12 don't have yellow pages anymore. But if you even
13 Googled water and sewer lawyer, you might not find any
14 other than a handful of us that have done any work.

15 So the real analysis ought to be what is a
16 reasonable hourly rate and then what is a reasonable
17 amount of hours to do the task, and not arbitrarily
18 looking at what it was last time versus what it was this
19 time. Although when you compare mine -- and like I said
20 earlier, although this one was lower, the legal part of
21 a rate case doesn't change very much. I mean, even if I
22 filed a rate case every year for a utility, the legal
23 part is going to be the same. I do about the same thing
24 in every rate case. And so if you filed them every
25 year, there's really no economies of scale to be gained

1 because you filed it every year.

2 And I think that's true of the accounting as
3 well. The accounting have to put together the MFRs and
4 they gather the information to put the MFRs together.
5 But then when they do the next rate case, they've got a
6 whole different set of data to insert in those MFRs. So
7 there's a whole different -- excuse me -- there's,
8 there's different data to go in so that, that there
9 really is no benefit if you did them every year. You
10 wouldn't get any less rate case expense if you did a
11 rate case every year than you would if you did them
12 every ten years. If we didn't have a rate case for ten
13 years, my guess is, is that my rate case expense would
14 probably be about the same no matter what.

15 And so I think that the analysis that needs to
16 be made is, like I say, is what's a reasonable amount of
17 rate case expense today? I think comparing it to the
18 last rate case is unfair because there was a reduction
19 in rate case expense that, that, that really wasn't
20 based upon any reasoned analysis.

21 Did you want to --

22 **MR. HOY:** Yeah. If I could add, we look at
23 the total amount of rate case expense. And if you look
24 between the two, the last case and this case, I think
25 you'll see -- well, this company and the last one we

1 talked about earlier today -- a dramatic decline in the
2 in-house capitalized time because we've been focused as
3 an organization on, on putting the dollars in the
4 buckets and not just using the resources at our
5 corporate level. So it's been more regional, and that's
6 been a reduction in in-house cost. Unfortunately that
7 cost got cut in this case, and I think the, you know,
8 the point to understand there is it was not in the gross
9 salaries that, that we, we put in this case and it
10 wasn't included in the, in the capital, the rate case
11 expense either, so we lost in both places. But if it
12 was in there, you would -- you'd notice that that time
13 is down dramatically. And that may have shifted a
14 little bit to an outside consultant that we needed a
15 little more resource to, to utilize their, you know, for
16 a particular case. But I'd ask you to look at the total
17 overall cost because I think that's the real driver, and
18 some of the buckets just may have shifted a little bit.

19 **CHAIRMAN GRAHAM:** Commissioner Brown.

20 **COMMISSIONER BROWN:** Mr. Chairman, would you
21 like us to open the discussion for the Commissioners on
22 this issue since we're still on it, because I do have
23 some thoughts and comments in response to Mr. Friedman.

24 **CHAIRMAN GRAHAM:** Let's, let's let
25 Mr. Friedman finish responding to OPC, and then we'll

1 come back to us and it's free rein.

2 **COMMISSIONER BROWN:** Okay. I'm jumping out of
3 my seat though.

4 **CHAIRMAN GRAHAM:** Okay. You'll get plenty of
5 chance to pounce on this one.

6 Commissioner Brisé.

7 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.

8 I just had one question about something
9 Mr. Friedman said specifically with the accounting, and
10 I think OPC alluded to this, that the Phoenix Project,
11 in essence, or software should make accounting a lot
12 easier. And so are there any cost savings from the last
13 rate case to this rate case that can be identified as a
14 result of the usage of the software to prepare for the
15 rate case?

16 **MR. FRIEDMAN:** Well, Project Phoenix -- I'll
17 let Mr. Hoy jump in here. Project Phoenix was, was
18 operational during the last rate case, so there wouldn't
19 be any difference, I think, in the use of, or the effect
20 of Project Phoenix between the last rate case and this
21 rate case.

22 **MR. HOY:** Right. We implemented Project
23 Phoenix, which is our accounting and customer system, in
24 2008. So it's been around for a while. And really what
25 that was was a replacement of, you know, a system that

1 was no longer supported. So it was really no choice but
2 to put in a new system to replace one that was, was
3 going away.

4 So to answer your question though,
5 Commissioner, I think the -- it was -- I wouldn't say
6 there's going to be a cost savings from the accounting
7 system. What we're working on, as staff mentioned
8 before, is just making sure we're producing reports,
9 responding to data requests, and filing MFRs that, that
10 are clean and, you know, work for the cases that we're
11 filing.

12 **COMMISSIONER BRISÉ:** Okay. So no new
13 efficiencies, in other words.

14 **MR. HOY:** No, I wouldn't say for that.

15 **COMMISSIONER BRISÉ:** Okay.

16 **CHAIRMAN GRAHAM:** Commissioner Brown.

17 **COMMISSIONER BROWN:** I do have a question as a
18 follow up to that. In the last rate case, which, by the
19 way, all four of us over here were, we did, we did find
20 and decide that case, but in that last rate case -- I
21 have the order right in front of me -- and the
22 utility -- we actually approved the utility's revised,
23 actual, and estimated accounting consultant fees for a
24 total of 49,813. But in the instant rate case, the
25 revised amount that the utility is seeking is 60,000.

1 That is a 26 percent difference approximately. So why
2 is there an increase in accounting fees from the last
3 rate case? You've got this new Phoenix system. I know
4 there were a lot of errors and work that had to be
5 performed as a result of the errors in the MFRs, but I
6 can't imagine such a big difference from the last rate
7 case, especially since you're pretty much using the
8 existing MFRs.

9 **MR. HOY:** Well, I think one of the answers to
10 that, Commissioner, is maybe a little more reliance on
11 the outside resources in this case because we have one,
12 one individual that was providing most of the support
13 for our rate case. So, again, I'd ask for that balance
14 of in-house versus outside support for, for the rate
15 case and look at the total cost. So that may have been,
16 been part of the reason.

17 But we provide most of the information to the
18 outside accounting consultant. They then help in the
19 preparation of the MFRs. You know, without looking
20 completely at the, at all the invoices and comparing
21 them, I don't have a specific answer for you, but I do
22 know that, that our in-house time was, I'm imagining,
23 lower than what it was before.

24 **COMMISSIONER BROWN:** Was this particular case
25 more complex than the last rate case just a mere two and

1 a half, three years ago in your opinion or was it
2 similar?

3 **MR. HOY:** I'm going to ask these two gentlemen
4 to comment as well. But I wouldn't say more complex
5 because I don't remember the, you know, the prior case
6 that well just from an accounting standpoint. But I
7 would just say maybe the, the support that we were
8 looking for based on different in-house resources may
9 have been the driver.

10 **CHAIRMAN GRAHAM:** Okay. One last one,
11 operating expense.

12 **MR. FRIEDMAN:** Yeah. I wasn't sure exactly
13 what -- there were two issues, as I understand it. One
14 was the pro forma expense to televise and clean the
15 lines. And the comment I think I saw or heard was that
16 she said the company, the televising company had signed
17 the contract but the utility had not. And I don't know
18 if, if that's got any real significance, but obviously
19 if the Commission wants us to sign that contract before
20 we get this amount of money, I'm sure we could sign that
21 contract and get it filed. And I think Patrick wants to
22 jump in.

23 **MR. FLYNN:** We, we requested from our
24 contractor bid amounts that reflects doing the full line
25 cleaning of the system given the scale of pipe in the

1 ground, and Labrador is a project of a size or scope
2 that could be done all at one time, and the costs
3 associated with that could be deferred amortized over
4 multiple years, or to do just a portion, a fraction of
5 it in a given year. And so we were trying to identify
6 what the cost savings would be, the unit cost savings
7 would be to do the whole thing all at one time, so we
8 solicited information two ways. And we provided
9 information to staff in response to the data request not
10 knowing which approach would be taken; therefore, we
11 wouldn't sign any contract until such time as the
12 Commission ruled on what revenue would be appropriate to
13 recover that expense, what level of coverage there would
14 be. So we would appropriately scale the work to be done
15 according to what was the decision of the Commission.
16 So it'll be easily the case we can move forward over the
17 course of the next few months to accomplish the work at
18 whatever scale of work is appropriate.

19 **CHAIRMAN GRAHAM:** Okay. That covers the
20 concerns that OPC had. I guess back to the
21 Commissioners.

22 Commissioner Brown.

23 **COMMISSIONER BROWN:** (Inaudible. Microphone
24 not on.)

25 **CHAIRMAN GRAHAM:** Okay. I want to hear from

1 the attorney from the co-op. You want to speak about
2 the settlement.

3 **MR. CURTAIN:** Thank you. Yes. The settlement
4 agreement -- I think I spoke about the settlement
5 agreement. The settlement agreement was like any
6 contract; you have consideration for a settlement
7 agreement. The consideration for this settlement
8 agreement in order to -- we had -- we were on the verge
9 of a summary judgment hearing in front of the Court on
10 one part of our complaint, which was the failure to pay
11 the rent and to kick them out of their leasehold
12 interest there. We settled that. And part of that
13 settlement agreement was that they're going to build
14 this odor reduction method, which they have done. Quite
15 frankly, you can read our memorandum, even after we
16 signed the settlement agreement it was delayed and there
17 was delays in the meetings and things like that, but at
18 the end of the day it was done.

19 But another part of the settlement agreement
20 was each side to pay their own attorneys' fees and costs
21 for the litigation. So if they had costs of seeking
22 experts to seek eminent domain or whatever they had,
23 those costs were all to be absorbed on our side by my
24 client, on their side by their client, not to throw it
25 back on the ratepayers and go through a backdoor to get

1 paid on those costs. That was part of the consideration
2 which is in the settlement agreement. And another part
3 of the consideration was that the co-op was not going to
4 contest the capital improvements for the odor, which we
5 have not contested here at this point in time.

6 Paragraph 1 is we won't contest the odor
7 improvements. Paragraph 2 is everybody is going to pay
8 their own attorneys' fees and costs in this litigation.
9 That was the deal. You need to hold them to that deal.

10 As far as this allegation that the co-op only
11 represents 30, 40 percent of the shareholders, the 400
12 and some odd shareholders, versus the renters, the
13 shareholders own the park. They own 100 percent of the
14 park. They have a contractual obligation to all the
15 renters and they have a legal obligation under *Florida*
16 *Statutes* to provide them water and wastewater services
17 and other services. Part of that is why we have a
18 contract with Labrador. So, yes, we represent everybody
19 in regards to this. And if Labrador wants to have it
20 one way, they can't have it the other way. If they want
21 to say that, hey, what are they saying, we're only
22 40 percent of the park, so they're only -- they can get
23 60 percent of their attorneys' fees back? Well, then
24 take 60 percent of their cost for the odor, odor
25 reduction method away from them, you know. We came to

1 an agreement. This board should hold them to that
2 agreement. Otherwise, it'll be a material breach of
3 this settlement agreement.

4 **CHAIRMAN GRAHAM:** So your, your interpretation
5 of what the settlement agreement was that Utilities,
6 Inc., was going to reimburse attorneys' fees internally
7 and not try to seek them through a rate case; is that
8 correct?

9 **MR. CURTAIN:** Absolutely. Whatever they --
10 whatever -- they're either going to reimburse them or
11 write it off as a loss, but they're not going to seek it
12 through the ratepayers as a backdoor because they're
13 going to pay it themselves.

14 **CHAIRMAN GRAHAM:** But does it say that in the
15 settlement agreement?

16 **MR. CURTAIN:** No. It specifically says, "will
17 dismiss all claims made in the above-styled action,
18 including any claims for damages and attorneys' fees
19 with prejudice, with each party to bear their own
20 attorneys' fees and costs and the Court retaining
21 jurisdiction to enforce the terms of this settlement
22 agreement." That's what it says.

23 I was the lead litigation counsel on this
24 litigation. I was the lead litigation counsel on this
25 settlement agreement. That was the terms of the deal.

1 **CHAIRMAN GRAHAM:** Okay. Thank you.

2 Commissioner Brown.

3 **COMMISSIONER BROWN:** I have a question for
4 you. You said that it was a material -- it would be
5 deemed a material breach of the contract. Does that
6 mean if this Commission were to find that those
7 attorneys' fees were reasonable and prudent and included
8 them in the rate base, you would seek recourse, legal
9 recourse?

10 **MR. CURTAIN:** I would have to discuss that
11 with my client, but I think that would be -- that is an
12 absolute method where we could seek legal recourse to
13 kick them out again from this park.

14 **COMMISSIONER BROWN:** Obviously you've been
15 hearing the discussion about attorneys' fees today, so
16 keeping costs down.

17 **MR. CURTAIN:** Absolutely. And we, and we
18 don't want to do that. That's why we did the settlement
19 agreement. All we ever wanted was cooperation from the
20 utility to fix the odor, odor issues. We settled that.
21 We don't want to go back to litigation like that.

22 **COMMISSIONER BROWN:** Thank you.

23 **MR. CURTAIN:** We want this settled, and we
24 thought we had that settlement.

25 **CHAIRMAN GRAHAM:** Okay. Commissioners?

1 Commissioner Edgar.

2 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

3 And I know that we've, we've, we've talked about this a
4 little bit, but I'd like to kind of narrow the focus for
5 the moment. We -- on the -- on Issue 1 and some of the
6 concerns that have been expressed as a part of the
7 discussion on Issue 1.

8 We've had a lot of discussion, and
9 appropriately so, about the odor issue in the past and
10 steps that have been taken and concerns about that. So
11 I'd like to set that piece of it aside for the moment
12 and ask if you could comment or give, give your reply on
13 two more narrow points, which is the concerns that have
14 been raised about the sediment and the need for
15 filtration and frequent filter replacement and,
16 therefore, costs associated with that as one.

17 And, secondly, on the issues that have been
18 expressed by some of the customers about poor service as
19 far as interaction with the customers when they have
20 concerns or call or where there's a problem, and also
21 that issue again about notification on, on outages.

22 **MR. FLYNN:** Commissioner, the, the sediment in
23 the water most likely would be minerals in the aquifer
24 that are not removed by the current treatment process.
25 We add a sequestrant to our water at the treatment plant

1 to keep iron in solution. And iron is the one mineral
2 in the aquifer that is evident in abundance that is a
3 real problem to control. So the idea is to add
4 sequestrants in such quantity that it would be
5 maintained in solution over time in order to minimize
6 sediment precipitating out of the water. But it's an
7 imperfect solution obviously.

8 The filters that were described certainly
9 reflect the fact that the iron is in the water and it's
10 going to collect on, on surfaces. And so our suggestion
11 of having a consultant identify alternatives seems to be
12 the most appropriate and likely success going forward,
13 and then identifying the costs associated with those
14 alternatives so we could come back to the customers with
15 a presentation of what those alternatives are and
16 solicit their input as to what they prefer as a remedy
17 going forward.

18 **COMMISSIONER EDGAR:** Thank you. And did you,
19 did you say that that, that utilizing a consultant to
20 look at that specific issue and potential options and
21 potential costs is something that is underway or that is
22 something that you're considering?

23 **MR. FLYNN:** We solicited from an engineer.
24 We'd like to have that methodology proceed so we can get
25 to a decision point in the future.

1 **COMMISSIONER EDGAR:** Okay. And then as to the
2 interaction with customers, et cetera.

3 **MR. HOY:** Yeah. And to build on Mr. Flynn's
4 initial comments, water quality, particularly as you get
5 into aesthetics in taste, odor, other aesthetics, is
6 tricky because it's, sometimes it's personal, sometimes
7 it's local, sometimes it's, you know, in different
8 spots. So what we're really trying to do is, as I
9 mentioned before, assess the issue before we, you know,
10 move ahead to spend any money. Because you can spend a
11 lot of money and not solve the problem. And that's what
12 we're trying to do is, as we did with the odor control,
13 really come up with a solution that works, we all
14 collectively agree it works, and then move ahead.
15 Because for this group of customers it's a fairly
16 significant expense and it has a fairly significant
17 impact on the rates. So that's --

18 **COMMISSIONER EDGAR:** I understand. And I'm
19 sorry, we didn't -- we talked past each other. Not
20 purposely, I'm sure. No. I was moving on to the second
21 point that I had asked about with concerns that we've
22 heard from some customers and also in the written
23 presentation about interactions specifically on the
24 phone or if -- outage notifications.

25 **MR. HOY:** Yeah. I apologize.

1 **COMMISSIONER EDGAR:** That's okay.

2 **MR. HOY:** I think we mentioned that before,
3 too. The concerns we heard about folks on the phone and
4 the treatment they're getting there, you know, I took
5 that information. I'll look into it. That's the first,
6 you know, we've heard of -- for all of our customer
7 interactions generally we get, we get pretty good marks,
8 but I'll look into those specific issues.

9 Notices, you know, as we discussed before,
10 we're trying to do as much as we can to using our
11 reverse 911, dial outs, notices at the, at the park for
12 water outages, plan ahead communications. You know, we
13 do do all of that, and we're trying to make sure that
14 the planned outages that we have to do are convenient to
15 the extent they can and we notify them.

16 The unplanned outages, you know, obviously you
17 get a main break or something else and you have to, you
18 have to move to correct it. But that's, that's
19 something we work hard to, to make sure is trying to be
20 convenient for customers.

21 **COMMISSIONER EDGAR:** Thank you.

22 **CHAIRMAN GRAHAM:** This question is to staff.
23 I know we had the water workshop a year ago, a year and
24 a half ago, two years ago -- two years ago, and I know
25 there's some legislation that came out of that as far as

1 water quality, potable water quality, secondary quality.
2 Has this utility hit all those qualities that were
3 mandated in that legislation?

4 **MR. HILL:** As part of the rate case process
5 staff has reviewed the previous five years of complaints
6 as recorded in the PSC's CATS system, that's our
7 complaint tracking system, as well as the utility's
8 records of complaints during that time and the
9 Department of Environmental Protection.

10 Under review of those complaints, staff has
11 created a chart on page 3 of the recommendation that
12 shows how those -- the different types of complaints for
13 the test year, and then staff also has information for
14 the previous four years for each of those different
15 types of complaints.

16 And what staff found in creating these
17 comparisons is that in general the complaints have
18 decreased leading up to the test year, and it is because
19 of that that staff has recommended that many of the
20 issues have been appropriately addressed and that, in
21 general, for these quality issues and for the different
22 types of complaints the utility is making progress
23 towards increasing customer satisfaction. Of course,
24 staff's recommendation did mention the reason for
25 recommending marginal on, on water quality still.

1 **MS. BUYS:** The utility is meeting all the
2 chemical analysis from DEP also, which is part of that
3 statute, I believe.

4 **CHAIRMAN GRAHAM:** But my understanding of that
5 statute was not just necessarily the -- you're talking
6 about the unscientific components.

7 **MS. BUYS:** The secondary and the primaries.

8 **CHAIRMAN GRAHAM:** So they do make both the,
9 the primary and the secondary standards?

10 **MS. BUYS:** Yes. Yes.

11 **CHAIRMAN GRAHAM:** Okay. And those are the
12 only actual tests that we had to perform?

13 **MS. BUYS:** That DEP has performed, and we look
14 at the results from DEP.

15 **CHAIRMAN GRAHAM:** And when was DEP's last --

16 **MR. HILL:** February 4th the utility
17 actually -- all of the contaminants were above -- below
18 the minimum allowable limit -- maximum allowable limit,
19 and so that is why in staff's recommendation it is put
20 that they are meeting all standards.

21 **CHAIRMAN GRAHAM:** February 4th of this year --

22 **MR. HILL:** 2015.

23 **CHAIRMAN GRAHAM:** -- they're, they're within
24 the secondary standards according to DEP?

25 **MR. HILL:** Correct. And that -- yes.

1 **CHAIRMAN GRAHAM:** All right. That's what I
2 wanted to know.

3 Commissioner Brown.

4 **COMMISSIONER BROWN:** Mr. Chairman, I'm
5 prepared to make a motion on this issue, if you are --
6 if we're postured. Or if the Commissioners still want
7 to have more discussion on it, we can, but whatever your
8 pleasure is.

9 **CHAIRMAN GRAHAM:** I would love for you to make
10 a motion.

11 **COMMISSIONER BROWN:** I know you would. I know
12 you would.

13 I would move staff recommendation on Issue 1.

14 **COMMISSIONER BRISÉ:** Second.

15 **CHAIRMAN GRAHAM:** It's been moved and
16 seconded, staff recommendation on Issue 1.

17 Commissioner Brisé.

18 **COMMISSIONER BRISÉ:** No. Just seconding the
19 motion, agreeing to the fact that, you know, even though
20 the company has met the water standards per DEP and so
21 forth, I think there are real customer service issues
22 that currently exist. And I'm glad that the company has
23 acknowledged and hopefully they will work with the
24 customers to ensure that they address those issues, but
25 there is clearly an issue with respect to customer

1 service. So I think the staff recommendation
2 appropriately addresses that at this point, and there --
3 I think as we move along, there are other places that we
4 can address other concerns as well.

5 **CHAIRMAN GRAHAM:** Okay. It's been moved and
6 seconded, staff recommendation on Issue No. 1.

7 All in favor, say aye.

8 (Vote taken.)

9 Any opposed? By your action, you've approved
10 Issue No. 1.

11 Okay. Let's do Issues 2 through 4.
12 Commissioner Brown.

13 **COMMISSIONER BROWN:** Mr. Chairman, I'd move
14 for Issues 2 and 3, to approve staff recommendation on
15 those two items.

16 **CHAIRMAN GRAHAM:** It's been moved and
17 seconded, staff recommendation on Issues 2 and 3. Any
18 further discussion?

19 Seeing none, all in favor, say aye.

20 (Vote taken.)

21 Any opposed? By your actions, you've approved
22 Issues 2 and 3.

23 Issue No. 4. Commissioner Brown.

24 **COMMISSIONER BROWN:** I'm trying to decipher if
25 the attorneys' fees issue that we've been talking about

1 with regard to the settlement is contained in this issue
2 or not.

3 **CHAIRMAN GRAHAM:** Mary Anne?

4 **MS. HELTON:** I think I'm going to have to
5 defer to another staff member who might know better.

6 **COMMISSIONER BROWN:** I think it is, but --

7 **MR. FLETCHER:** I don't believe the litigation
8 is tied to the pro forma plant item. It would be tied
9 to Issue 12 with regard to litigation expense.

10 **COMMISSIONER BROWN:** Okay.

11 **CHAIRMAN GRAHAM:** Would you like to attack
12 Issue 12 or --

13 **COMMISSIONER BROWN:** Yes.

14 **CHAIRMAN GRAHAM:** Okay. Let's jump straight
15 to Issue 12.

16 **COMMISSIONER BROWN:** Mr. Fletcher, can you
17 come up here, please?

18 Okay. And I don't know how the other
19 Commissioners feel, but I was very persuaded by the
20 co-op's counsel regarding the intent of the attorneys'
21 fees to be borne by each party, particularly since the
22 party is the customers.

23 So I want to -- if the other Commissioners are
24 inclined to follow this path -- to somehow remove that
25 from this recommendation if it, if it's adequately

1 reflected in it.

2 **MR. FLETCHER:** It is. The removal is
3 reflected in staff's recommendation of all the
4 litigation costs already.

5 **COMMISSIONER BROWN:** Okay. So we can, we can
6 move this item and it will accomplish that?

7 **MR. FLETCHER:** That's correct, Commissioner.

8 **COMMISSIONER BROWN:** Mr. Chairman, I would
9 move staff recommendation on Issue 12.

10 **COMMISSIONER BRISÉ:** Second.

11 **CHAIRMAN GRAHAM:** It's been moved and
12 seconded, staff recommendation on Issue No. 12. Any
13 further discussion?

14 Seeing none, all in favor, say aye.

15 (Vote taken.)

16 Any opposed? By your action, you've approved
17 staff recommendation on Issue No. 12.

18 How about a motion for Issues 4 through 11?
19 Commissioner Brown.

20 **COMMISSIONER BROWN:** I didn't know if the
21 Commissioners wanted to have discussion on that ground
22 storage replacement issue that Office of Public Counsel
23 brought to our attention with regard to deducting
24 \$48,600 to the, to the cost. Do you guys want --

25 **CHAIRMAN GRAHAM:** Commissioner Brisé.

1 **COMMISSIONER BRISÉ:** Yeah. I think that I
2 would be in favor of deducting that amount simply
3 because the thought was that they were going to make
4 improvements to the tank. They decided not to make
5 improvements to the tank, and I can completely
6 understand that, but those dollars were then allocated
7 towards something else. So I would definitely be in
8 favor of a reduction of the -- what's that amount --
9 \$48,604 from the pro forma plant expense.

10 **COMMISSIONER BROWN:** Second.

11 **CHAIRMAN GRAHAM:** It's been moved and seconded
12 to reduce that amount, 48,604.

13 I have a question to staff. Staff, my
14 understanding was that amount was then used for the
15 shortfall. What happens now to their shortfall?

16 **MR. MAUREY:** The short answer is nothing is
17 going to happen to the shortfall.

18 (Laughter).

19 It puts staff in an awkward position right
20 now, and I'll explain why. Not just this utility but
21 other utilities will often operate below their
22 authorized range or at a loss and will do so for a
23 period of time. And if one of those utilities were to
24 come back and ask for a rate increase to make up for
25 losses or inadequate returns in a previous period, I'm

1 quite certain that Office of Public Counsel would
2 object, and rightfully so.

3 It's staff's understanding of OPC's
4 recommendation on this issue is to take the 48,000 and
5 deduct it from the value of the ground storage tank.
6 That would put the company in the position of not
7 earning a full return on that investment into
8 perpetuity. And as inviting as that sounds, the flip
9 side, as you mentioned, the Commission will not make up
10 for losses or inadequate returns from prior periods.
11 Everything is prospective.

12 So staff didn't recommend the 48, and it --
13 there's a motion and a second, and so I'm in a difficult
14 posture speaking about it further at this point.

15 **CHAIRMAN GRAHAM:** You can speak freely.
16 There's no vote yet.

17 **MR. MAUREY:** Okay.

18 **CHAIRMAN GRAHAM:** It's just, it's just on the
19 table. That's why I asked the question, because I have
20 concerns of, I have concerns of removing that out of
21 there. I don't like, I don't like how we got to this
22 point, but, I mean, we're here. And as we said before,
23 I don't think we should be in micromanaging.

24 **MR. MAUREY:** I agree.

25 **CHAIRMAN GRAHAM:** So speak freely.

1 **MR. MAUREY:** Staff does not recommend
2 deducting the 48,000 from the plant value for the
3 reasons I mentioned earlier. It's true the company
4 didn't spend those earmarked dollars on that particular
5 purpose; however, a 33-year-old tank, there's no
6 evidence that its life would have been extended had it
7 done that maintenance. And had it not spent that money
8 on whatever other projects it did spend the money on, it
9 may have come in sooner for larger increases in the
10 interim. They're never going to have an opportunity to
11 make that up.

12 **CHAIRMAN GRAHAM:** Commissioner Brown.

13 **COMMISSIONER BROWN:** Would -- I mean, you
14 understand our discussion up here and our concern with
15 that spent amount, and thank you for speaking up.

16 Could we do a Phase II rates to implement it
17 once the tank was on, once the utility has put the tank
18 in service?

19 **MR. MAUREY:** One moment. Yes.

20 **COMMISSIONER BROWN:** Which would incentivize
21 the utility to operate quickly.

22 **MS. BUYS:** The tank's almost in service, I
23 believe.

24 **COMMISSIONER BROWN:** It says June, but --

25 **MR. MAUREY:** We can do that. We can set for a

1 phased increase at a time in the future. It was our
2 understanding that the tank was, construction was
3 underway but it's not completed.

4 **COMMISSIONER BROWN:** Again, they've had this
5 issue since 2009. They've been collecting maintenance
6 costs on it. So just to try to incentivize the utility
7 to --

8 **MR. MAUREY:** Yes, we, we can do that.

9 **CHAIRMAN GRAHAM:** Was that a friendly,
10 friendly amendment?

11 **COMMISSIONER BROWN:** I seconded, so I don't
12 know if I can do that. Robert's Rules.

13 **CHAIRMAN GRAHAM:** Well, we have a motion and a
14 second on the floor. If you're offering a friendly
15 amendment, the person that made the motion can make that
16 amendment, or we can vote on the amendment that's on the
17 floor.

18 **COMMISSIONER BRISÉ:** So we can, we can accept
19 the, the language for an amendment at this point that
20 would, that would address incentivizing, I guess, moving
21 forward with the plant on a quick basis and taking that
22 \$48,000 off the table from that perspective, and I guess
23 we'll do that.

24 **CHAIRMAN GRAHAM:** So let me see if I
25 understand. The motion that's on the floor is that

1 we're going to take the, the cost or the value of the
2 tank off the table until it is in service, and then
3 that's when, that's when it'll come into rates?

4 **MR. MAUREY:** Yes. We could craft the order to
5 recognize that, that the -- give the company some amount
6 of time to complete the project and submit documentation
7 that it's, that it's up and running, and it would submit
8 for a phased-in increase at that time.

9 **CHAIRMAN GRAHAM:** Mary Anne, does that make
10 sense?

11 **MS. HELTON:** Yes.

12 **CHAIRMAN GRAHAM:** Commissioner Edgar.

13 **COMMISSIONER EDGAR:** Thank you. And I'm
14 comfortable with the direction that we're going as I
15 understand it. But so that we are all clear, I would
16 like to ask the company to make sure that they are clear
17 and if there's just something that we should be aware of
18 from their perspective as we move forward on this.

19 **MR. FLYNN:** The tank will be online in about
20 45 days at the most, so it's on the verge of being
21 complete. It's erected, it's being connected to the
22 existing infrastructure, I think, next week, if not this
23 week. So it'll be online before the protest period for
24 this final order is complete.

25 **CHAIRMAN GRAHAM:** So then I guess just as long

1 as you get the documentation in, nothing happens. Okay.

2 Commissioner Brown.

3 **COMMISSIONER BROWN:** I just think it's futile.
4 So, I mean, I'm a little frustrated with that money. I
5 know the customers are frustrated. But from an
6 accounting perspective, our staff is advising us that
7 our hands are tied on that amount that's already been
8 spent, so.

9 **COMMISSIONER BRISÉ:** So, Mr. Chairman, I
10 withdraw my motion.

11 **COMMISSIONER BROWN:** And I withdraw my second.

12 **CHAIRMAN GRAHAM:** Okay. So we are still on
13 Issues 4 through 11.

14 **COMMISSIONER PATRONIS:** Mr. Chairman?

15 **CHAIRMAN GRAHAM:** Yes.

16 **COMMISSIONER PATRONIS:** Move staff
17 recommendation for Issues 4 through 11.

18 **CHAIRMAN GRAHAM:** It's been moved and
19 seconded, staff recommendations on Issues 4 through 11.
20 Any comments?

21 Commissioner Edgar.

22 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
23 And, again, I probably am being redundant because we did
24 have a lot of discussion on this earlier, but since
25 there was a lot of information, I want to make sure I'm

1 clear.

2 **CHAIRMAN GRAHAM:** Sure.

3 **COMMISSIONER EDGAR:** I'd like to ask the staff
4 to, to tell me again what the impact would be if we were
5 to amend the staff recommendation on Issue 5 in keeping
6 with OPC's request to reduce the percentage for the used
7 and useful finding.

8 **CHAIRMAN GRAHAM:** Mr. Fletcher.

9 **MR. FLETCHER:** Commissioners, we did run that
10 calculation and we came to the same number as
11 Ms. Merchant. It would be a revenue requirement impact
12 of \$53,000 if it was set back to the used and useful of
13 79.94 percent in the last case.

14 **COMMISSIONER EDGAR:** From an accounting,
15 auditing perspective, does that raise any concerns for
16 staff if, if, if we were to move in that direction?

17 **MR. FLETCHER:** No. Based on the Commission's
18 decision on the used and usefulness, it's just a fallout
19 calculation to the appropriate plant accounts and
20 resulting in that \$53,000 reduction in revenue
21 requirement.

22 **COMMISSIONER EDGAR:** Commissioners, I would
23 just pause for a second and ask y'all to maybe consider
24 that. It seems that that may be a positive direction.

25 **CHAIRMAN GRAHAM:** My -- I guess my question is

1 what the attorney had said for Utilities, Inc., at what
2 point do you decide that nothing is going to go on that
3 piece of property? I mean, there was talk, and as staff
4 even said, that two and a half years ago because the
5 documentation wasn't in there we made the determination
6 that used and usefulness was going to stay at 79 percent
7 or it's going to be 79 percent. But if it's only going
8 to be at the most a shed, at what point do you decide
9 that we are or are not going to do something about that?

10 I'm fine just as long as we're consistent. I
11 just want to make sure that we're thinking this one past
12 today. I mean, do we wait until the next rate case to
13 do that or do we never do that?

14 **COMMISSIONER EDGAR:** I suspect that
15 opportunity may present itself at some point.

16 (Laughter.)

17 **CHAIRMAN GRAHAM:** Commissioner Brown.

18 **COMMISSIONER BROWN:** I think, given the
19 revenue impact, \$53,000 is, you know, can be felt by the
20 customers and they -- some relief from the multitude of
21 rate case proceedings that have occurred over the
22 past 13 years. I think we can be consistent with our
23 prior order and agree to the used and useful for
24 wastewater at 79 percent because the customers will
25 benefit from that. And, again, we can re -- they're

1 going to come back in two years anyway, so we can
2 revisit it again. Not to be cynical, but --

3 **COMMISSIONER EDGAR:** Perhaps.

4 **COMMISSIONER BROWN:** Perhaps.

5 **CHAIRMAN GRAHAM:** Okay. Would you like to
6 make that motion, because you were just kind of querying
7 everybody?

8 **COMMISSIONER EDGAR:** Well, I think we have a
9 motion pending, which -- if I may, Commissioner
10 Patronis, would you remind me the, the number of issues
11 that you made the motion on just so I can --

12 **CHAIRMAN GRAHAM:** 4 through 11.

13 **COMMISSIONER EDGAR:** 4 through 11.

14 **COMMISSIONER PATRONIS:** Yes, ma'am.

15 **COMMISSIONER EDGAR:** Okay. Thank you. Then I
16 would offer what I intend to be a friendly amendment to
17 that motion that as part of the larger motion we amend
18 our decision on Issue 5 to reflect that the used and
19 useful finding will be of 79.94 percent as was requested
20 by OPC.

21 **CHAIRMAN GRAHAM:** Before we do that, I guess
22 the request I would have, because as I'm planning on
23 moving forward with that motion, is we just separate it
24 and just take out Issue No. 5.

25 **COMMISSIONER EDGAR:** Mr. Chairman, whatever

1 you and Commissioner Patronis are comfortable with, I
2 will try to keep up.

3 **COMMISSIONER PATRONIS:** Mr. Chairman, I'll
4 withdraw my, I'll withdraw my motion. And then I'll
5 make a motion for Items 4 and then 6 through 11.

6 **CHAIRMAN GRAHAM:** Okay. It's been moved,
7 staff recommendations on Items 4 and 6 through 11.

8 **COMMISSIONER BROWN:** Second.

9 **CHAIRMAN GRAHAM:** And it's been seconded. Any
10 further discussion on those items -- those issues?

11 Seeing none, all in favor, say aye.

12 (Vote taken.)

13 Any opposed? By your actions, you've approved
14 staff recommendations on Issues 4 and 6 through 11.

15 **MR. FLETCHER:** Chairman, if I may, because
16 there's going to be a decision on Issue 5 that with that
17 vote is clarification that staff will be given
18 administrative authority for the fallout effects for
19 Issue 5.

20 **CHAIRMAN GRAHAM:** Actually I think we're going
21 to have that for any changes we make throughout this.

22 **MR. FLETCHER:** Okay. Okay. Thank you.

23 **CHAIRMAN GRAHAM:** And if we need to do that at
24 the end, we'll do that. Just remind me before we
25 conclude.

1 **MR. FLETCHER:** Thank you.

2 **CHAIRMAN GRAHAM:** Commissioner Edgar.

3 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

4 I would move that on Issue 5 we adopt the staff
5 recommendation with the amendment that there's an
6 adjustment to find that the used and useful percentage
7 for the wastewater treatment plant, storage tank, and
8 related is 79.94 percent as requested by OPC.

9 **COMMISSIONER PATRONIS:** Second.

10 **CHAIRMAN GRAHAM:** It's been moved and seconded
11 to change staff recommendation from 100 percent to
12 79.94 percent; is that correct?

13 **COMMISSIONER EDGAR:** Yes, sir.

14 **CHAIRMAN GRAHAM:** Any further discussion on
15 that motion?

16 Seeing, seeing none, all in favor, say aye.

17 **COMMISSIONER EDGAR:** Aye.

18 **COMMISSIONER BRISÉ:** Aye.

19 **COMMISSIONER BROWN:** Aye.

20 **COMMISSIONER PATRONIS:** Aye.

21 **CHAIRMAN GRAHAM:** Any opposed? Aye.

22 By your actions, you've, you've granted that
23 amendment -- that motion.

24 Okay. We are now on rate case expense, Issue
25 No. 13.

1 Commissioner Brown.

2 **COMMISSIONER BROWN:** Chairman, first I would
3 move Issue 12.

4 **CHAIRMAN GRAHAM:** We've already done that.

5 **COMMISSIONER BROWN:** Oh, we did? I thought we
6 went to 11. Sorry.

7 Mr. Chairman, with regard to rate case
8 expense, I don't want to belabor this. I think we've
9 talked a lot about this. I went back and I looked at
10 our previous order in which we found the utility had
11 marginal quality of service with regard to wastewater.
12 In this instance we have found that the utility has
13 marginal water quality of service but satisfactory
14 wastewater, the reverse of what we found just two and a
15 half, three years ago.

16 In that particular order, we also found that
17 the -- and we just looked at the legal consultant rate.
18 We applied the hourly billing rate from the last rate
19 case to the total amount of hours. We were very
20 specific based on the fact that this Commission found
21 that the case was similar to the circumstances and facts
22 found in Aqua Utilities of Florida. Not to compare it,
23 but that's what the order said. And so that -- we found
24 that the rate that was set and authorized in a 2008 rate
25 case, that hourly rate would be set to the legal fees.

1 You know what, and I've talked to staff about
2 this, here we have a marginal quality of service. Okay?
3 We have, we have rate case after rate case. We have a
4 great amount of latitude in setting and awarding rate
5 case expense. We know that. And we have even the legal
6 counsel acknowledging, and the president of the utility
7 acknowledging that this case isn't necessarily more
8 complex than another case.

9 In the last rate case, this Commission found
10 the accounting consultant -- the total amount of rate
11 case expense was \$83,000. In the instant case, staff is
12 recommending a total of 142,000. The facts and
13 circumstances seem to be pretty similar to the last
14 order, last decision.

15 So without going through line item by line
16 item like we did with the legal fees in the last rate
17 case, I wanted to offer the suggestion of -- since the
18 facts and circumstances are similar, to hold the line of
19 what was approved in the last rate case with regard to
20 accounting consultant fees and legal fees with the
21 inclusion of the \$4,000 filing fee which was not in this
22 year's MFRs. So we would hold the line with regard to
23 legal fees, which was \$25,459, you include 4,000 as the
24 filing fee, and then you hold the line with regard to
25 the accounting consulting fees. They're asking 60,313.

1 We found 49,813 in the last rate case, which was also
2 what the utility requested. It's a 26 percent
3 difference from what they're asking today.

4 Again, I think given our latitude in awarding
5 rate case and the complexity of this rate case as
6 compared to the last rate case and the facts and
7 circumstances are very similar, and not to discredit the
8 value of these consultants or attorneys, I think that
9 would be my recommendation.

10 **CHAIRMAN GRAHAM:** Let me make sure I
11 understand. The dollar amounts you said for the legal
12 fees was 25,000 what?

13 **COMMISSIONER BROWN:** 25,459 with a filing fee
14 of 4,000, for a total of 29,459.

15 **CHAIRMAN GRAHAM:** 29,459?

16 **COMMISSIONER BROWN:** That's right.

17 **CHAIRMAN GRAHAM:** And what was the attorney
18 fee -- I mean, the accountant?

19 **COMMISSIONER BROWN:** The accounting fees were
20 49,813. Staff, please correct me if I'm wrong, by the
21 way.

22 **MR. BROWN:** Well, I was just going to note
23 that on the, on the rate case expense in this current
24 docket the accounting consultant fees that we're
25 recommending are 62,851, and that the overall rate case

1 expense we were recommending was 102,439.

2 **COMMISSIONER BROWN:** My apologies. I was
3 looking at the wrong page.

4 **MR. BROWN:** And that 102,439 includes the
5 additional rate case expense from the generic docket
6 that's previously been approved by this Commission.

7 **COMMISSIONER BROWN:** Thank you. I was looking
8 at what was requested. Thank you.

9 **CHAIRMAN GRAHAM:** I just want to make sure
10 that I understand because we've already penalized them
11 in Issue No. 1 when its comes to quality. So this, this
12 has nothing to do with quality, because you mentioned it
13 as you, as you were making your motion.

14 **COMMISSIONER BROWN:** Mr. Chairman, I --

15 **CHAIRMAN GRAHAM:** I just want to make sure
16 that we're distinguishing this is no longer quality,
17 this is now just flat rate case expense.

18 **COMMISSIONER BROWN:** It's a totality of
19 circumstances and being consistent with our last
20 Commission decision, we did very -- we pretty much did
21 the same thing except with regard to the accounting
22 fees, and we're being consistent based on the facts and
23 circumstances in that case. It seems that that
24 situation arises.

25 Additionally, I think the complexity of this

1 rate case isn't any more challenging than the last rate
2 case, and given the frequency of the rate cases, too.

3 **CHAIRMAN GRAHAM:** I don't know. This hearing
4 seems to be going a lot longer.

5 (Laughter.)

6 **COMMISSIONER BROWN:** This is just PAA, by the
7 way.

8 **CHAIRMAN GRAHAM:** Okay. There is a motion.
9 Is there a second?

10 **COMMISSIONER BROWN:** Mr. Chairman, I would
11 revise the staff recommendation. Let me, let me
12 formulate this, if I can.

13 Mr. Chairman, I would move to approve the
14 staff recommendation with the following changes: To
15 approve -- to modify the legal fees to \$29,459, and to
16 modify the accounting consulting fees to \$49,813.
17 Everything else would stay the same.

18 **CHAIRMAN GRAHAM:** That is the motion. Is
19 there a second?

20 Commissioner Edgar.

21 **COMMISSIONER EDGAR:** If I may ask -- because I
22 don't want to do my math wrong. If the staff can do the
23 math for us and we all hear it at the same time,
24 realizing that we have different items that are being
25 combined in this, what would then, with Commissioner

1 Brown's proposed motion, what would be the appropriate
2 amount of rate case expense that would be approved with
3 the suggested adjustments? Thank you, Todd.

4 **MR. BROWN:** If you can give me just a second,
5 I'll calculate that.

6 **COMMISSIONER EDGAR:** Absolutely.

7 **COMMISSIONER PATRONIS:** Mr. Chairman, just for
8 clarity. Commissioner Brown, that 29,000 does include
9 the filing fee in that figure; correct?

10 **COMMISSIONER BROWN:** That is correct.

11 **MR. BROWN:** Commissioners, based on my quick
12 calculation, before adding in the rate case expense from
13 the generic docket, we'd be at \$83,597 for current rate
14 case expense with those modifications, which is close to
15 what we did in the last rate case, which was \$83,374.

16 **COMMISSIONER EDGAR:** So, Commissioner Brown,
17 do those numbers sound in keeping with what you, what
18 you were asking for? Then I'll second the motion with
19 that understanding.

20 **CHAIRMAN GRAHAM:** It's been moved and
21 seconded, the Brown motion. Any further discussion?

22 Seeing none, all in favor, say aye.

23 **COMMISSIONER EDGAR:** Aye.

24 **COMMISSIONER BRISÉ:** Aye.

25 **COMMISSIONER BROWN:** Aye.

1 **COMMISSIONER PATRONIS:** Aye.

2 **CHAIRMAN GRAHAM:** Any opposed? Aye.

3 By your action, your motion carries.

4 Let's move on to 14 through 20 -- or at least
5 14.

6 Commissioner Edgar.

7 **COMMISSIONER EDGAR:** Mr. Chairman, I move
8 approval of the staff recommendation on Issue 14.

9 **CHAIRMAN GRAHAM:** It's been moved and
10 seconded, staff recommendation on Issue No. 14. Any
11 further discussion?

12 Seeing none, all in favor, say aye.

13 (Vote taken.)

14 Any opposed? By your action, you've approved
15 staff recommendation on Issue 14.

16 Commissioner Edgar.

17 **COMMISSIONER EDGAR:** Mr. Chairman, I would
18 move approval of Issues 15 through 19.

19 **CHAIRMAN GRAHAM:** It's been moved and approved
20 (sic), staff recommendations on Issues 15 through 19.
21 It's been moved and seconded.

22 All in favor, say aye.

23 (Vote taken.)

24 Any opposed? By your action, you've approved
25 staff recommendation on Issues 15 through 19.

1 Commissioner Edgar.

2 **COMMISSIONER EDGAR:** Mr. Chairman, I would
3 move approval of Issue 20, with the addition that we
4 direct -- or give the authority to staff to make
5 whatever technical adjustments may need to be needed
6 for -- to reflect accurately the decisions that we've
7 made here today in this docket, and, of course,
8 recognizing also that the oral modifications that were
9 presented at the, earlier in the day would be included
10 in that as well.

11 **CHAIRMAN GRAHAM:** It's been moved and
12 seconded, the Edgar amendment to staff recommendations
13 on Issue No. 20. Any further discussion?

14 Seeing none, all in favor, say aye.

15 (Vote taken.)

16 Any opposed? By your action, you've approved
17 that motion.

18 Okay. That concludes that item.

19 I do thank all the residents, the ratepayers
20 for coming down here. I know this is probably -- it
21 seems like a very long day. It's almost like making
22 sausage because -- especially when you see it for the
23 first time, it seems to be quite messy, but we do manage
24 to get through it all. We do appreciate your input.
25 And as you can see, your input does matter. It does

1 make, it does make an impact.

2 Staff, I want to thank you very much for all
3 that you do and the things that you've done. Utilities,
4 Inc., OPC, thank you for your participation. I hope
5 everybody travels safe as they head home today or back
6 to the office. And with that all being said, we are
7 adjourned.

8 (Commission Conference adjourned.)
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1 STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
2 COUNTY OF LEON)

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 15th day of May, 2015.

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25


LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734

ESCALATING RATES FOR LABRADOR/UTILITIES, INC

FOR MINIMAL 3,000 GALLONS OF WATER & WASTEWATER SERVICE

Ownership Prior to Utilities Inc.	1 st Rate Case Docket No. 030443-WS	2 nd Rate Case Docket No. 060262-WS	3 rd Rate Case Docket No. 080249-WS	4 th Rate Case Docket No. 110246-WS	5 th Rate Case Docket No. 140135-WS
2002	Order 12/28/04	Order 02/14/07	Order 10/26/09	Order 04/19/12	Proposed Rates
\$14.50 (3 kgal)	\$55.81 (3 kgal)	Denied Rate Increase	\$79.80 (3 kgal)	\$88.81 (3 kgal)	\$127.36 (3 kgal)
Water: Flat \$4.50 WW: Flat \$10.50	Water Base: \$6.28 Water per kgal: \$3.14 WW Base: \$12.09 WW per kgal: \$9.34		Water Base: \$8.87 Water per kgal: \$6.57 WW Base: \$21.91 WW per kgal: \$9.77	Water Base: \$10.57 Water per kgal: \$8.43 WW Base: \$26.65 WW per kgal: \$10.10	Water Base: \$14.17 Water per kgal: \$9.00 WW Base: \$27.81 WW per kgal: \$19.46

Parties/Staff Handout
 Internal Affairs Agenda
 on 5/05/15
 Item No. 5



Forest Lake Estates

Parties/Staff Handout
Internal Affairs/Agenda
on 5/5/15
Item No. 5



Facts and Figures

- Non-Profit Corporation for benefit of all residents
- The Co-Op's purpose is to develop and manage the Community so that monies collected from residents are returned to the community in form of improved facilities, improved services and, wherever possible, maintain or reduce costs
- Operates:
 - Forest Lake Estates Mobile Home Park
 - Forest Lake Estates R.V. Property
- 343 Shareholders
- 542 Mobile Home and Recreational Residents

* Forest Lake Estates

Facts and Figures Continued

- 55 and plus community
- Resident Population:
 - Retirees
 - Fixed-Income - mainly social security
 - Elderly
- Goal is to create a community in which residents can enjoy the Florida retirement lifestyle





* Customer Surveys

- Phenomenal response
- 439 Customer Responses from shareholders and Residents
- Questions and opinions on:
 - Quality of Water provided by Labrador
 - Quality of Customer Service provided by Labrador
 - Affordability of water and wastewater services



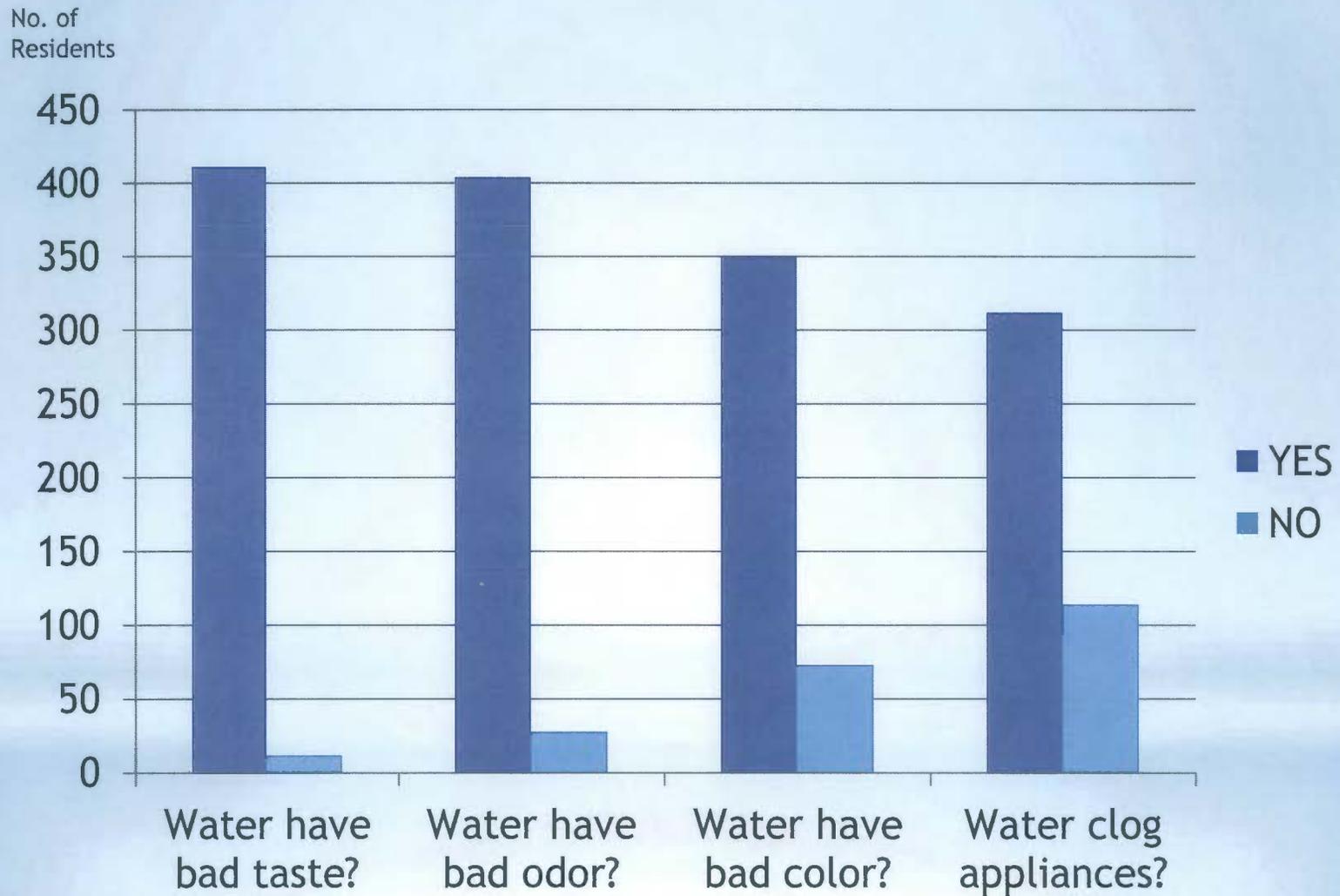
* Inferior Water Quality



- Foul taste
- Foul odor
- Foul color to water
- Sediment destroys appliances
- Poor water pressure

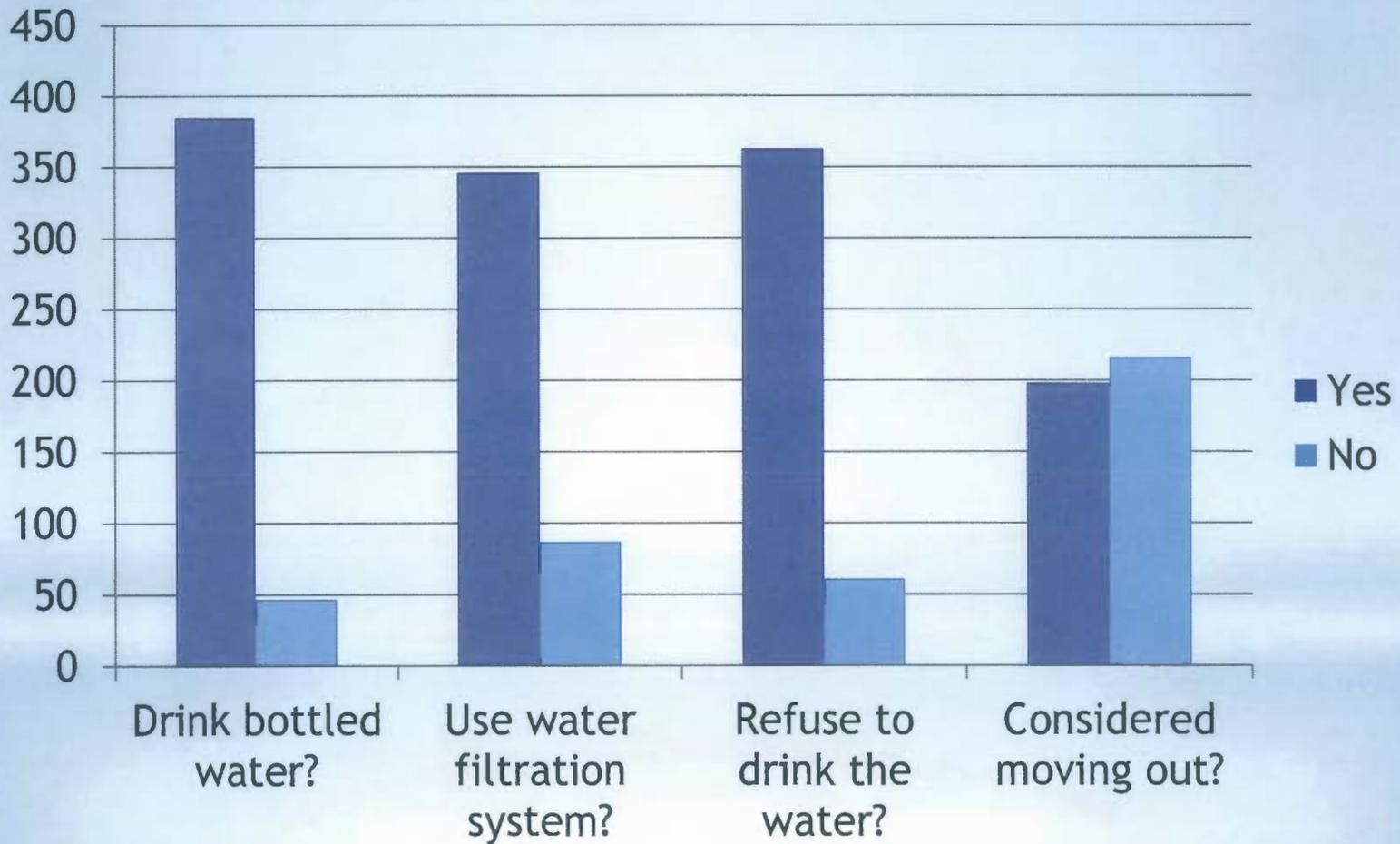


Inferior Water Quality by Labrador



Effects of Inferior Water Quality by Labrador

No. of Residents



* Forest Lake Estates

Inferior Water Quality Percentage of Respondents

- 93.6% stated that water has a bad taste
- 92.0% stated water has a bad odor
- 78.9% stated water has a bad color
- 73.2% have experienced clogging of appliances
- 89.1% use bottle water for drinking at their expense
- 79.9% use a filtration system for their water at their expense
- 85.7% refuse to drink the water
- Nearly half of the residents have considered moving due to poor quality of service and water by Labrador

*Customer Comments Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: EDGAR C IRUING DATE: Feb - 26, 2015

ADDRESS: 6233 PRESIDENTIAL GL. ZEPHYRHILLS FL. 33540.

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

We have been at Forest Lake for 23 years. Our first 9 years we had problems with sewer odors but our water was reasonably good. The owner of our community then sold the water and sewer facilities to Labrador Utilities Inc. Since then our costs per month have gone from \$15.00 monthly to \$80-100 monthly. The water at all times tastes and smells bad. We use bottled water not only for drinking but also sometimes in cooking. Following one of the periods of low water pressure a load of white clothes were soiled with rust and discolored and had to be thrown away.

* Customer Comments Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Dave & Maggie Riker

DATE: 2/25/15

ADDRESS: Lot 159

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

Several Low Water Pressures or
No Water at All



Customer Comments

Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: JUDITH K. PIERSON

DATE: 2/24/15

ADDRESS: 6364 FOREST LAKE DR

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

SOME MORNINGS WHEN I GET UP AND TURN ON
THE WATER IN THE KITCHEN IT SMELLS LIKE DIARRA,
AND IT MAKES ME SICK!!

*Customer Comments Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Robert & Angel Vachon DATE: Wed. Feb 25/15
ADDRESS: 82 Bruins DR. FL Resort- RV.

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

There is more 'sediment' in this water than
we have ever experienced, including properties owned
that had their own wells.
We have an electric kettle with glass & can see the amount
that the water delivers.

*Customer Comments Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: James Beems DATE: 3-5-15

ADDRESS: 6458 Presidential Cir

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

I Love This Park But The water has to go better. I have
own This Home For 5 years And The water is no better now
than before. I do not want To move but I will IF water does
not get better.

*Customer Comments Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: KALEGARIC, ALICE (LISSA) DATE: FEB 24 / 2015
ADDRESS: 5928 UTOPIA DR LOT # 539

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

MY DOG WAS NEGATIVELY AFFECTED BY THE WATER
THIS IS A 60LB DOG NOT A TINY ONE.
THE VET PUT HIM ON MEDICATION & DISCOURAGED
GIVING HIM WATER FROM THE TAP. SINCE HE HAS BEEN
BOTTLED WATER AND APPEARS OK.

WE NEED BETTER WATER SUPPLIER!

Alice Kalendaric
FEB 24 / 2015

* Customer Comments Poor Water Quality

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: CLAUDE A Sorber DATE: 02-24-2015

ADDRESS: 5738 Viau Way; Zephyrhills FL 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

THIS WATER STINKS!

Claude A. Sorber

S T O P

BAD CUSTOMER SERVICE

* Poor Service

- No notifications of cuts in service and water outages
- Untimely repair of burst water lines and flooded streets
- Failure to conduct repairs or call back residents
- Rude customer representatives



*Customer Comments

Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Cheryl Martel DATE: 2-25-15
ADDRESS: 6233 Utopia Dr., Zephyrhills, FL 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

① washing anything w/ this water results in spotting/build-up
ie. car, windows, dishes

② untimely calls (or no call at all) regarding implementation -
or to rescind the boil water notice

Christmas 2013 and Thanksgiving 2014 - I had to do
all of my holiday baking while boiling water nonstop because
of boil water notice. The water I boiled had a layer of foamy
scum on it and my dutch oven was covered in scale. >

My hair dresser immediately knew I used well water
to wash my hair - and recommended a product to use
every other day to combat the ill effects of the water
on my hair & scalp.

I can go on ... call me! (if you need
more info) 813-788-2373

* Customer Comments

Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Lionel & Michelle Shepherd DATE: Feb 25 2015
ADDRESS: Lot 83 Forest Lake R.V.

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

No notification of water on or off
We were told that they (you) did NOT have to
tell us about on & off treatments.
This should be a concern for the Board of Health.

*Customer Comments Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Russell McGinnis DATE: 2-24-15

ADDRESS: 5731 Viau Way

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

have not received notices when there has been water
outages for the last 2 outages

* Customer Comments Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: CAROL ANN BELANGER & BOB DATE: MARCH 12, 2015
ADDRESS: LOT 429 BRANQUET
JESSOP DR, ZEPHYRHILLS, FLR 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

2 WATERLINE burst that took long time to
REPAIR AND ~~was~~ muddy roads for long
periods of time (week).

* Customer Comments Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc..
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Mac & Glenys Butler

DATE: Feb. 23, 2005

ADDRESS: 5912 Utopia Drive

8. Have you experienced the lack of timely response by Labrador to service calls such as failure to timely respond to leaks? Yes No - Dec 29th: no answer - had to get private plumber.

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

8. Problem was on Utilities side. Still waiting for answer on cost of plumber - \$60.00. Utilities reduced our Invoice by \$4.00. The actual loss of water was at least \$3000.

*Customer Comments Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: CHARLES SHRONTZ DATE: FEB 26 2015

ADDRESS: 5943 JESSUP DRIVE - ZEPHYRHILLS FL 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

I TOLD LABRADOR METER READER ABOUT
A WATER LEAK AT METER. RESPONSE "DON'T
WORRY ABOUT IT. ITS ON OUR SIDE OF THE METER"
HOW MUCH WATER IS WASTED THIS WAY? DON'T
WE END UP PAYING FOR SUCH LEAKS?

* Customer Comments

Poor Service

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: MARTIN + JUDY DASOVICH DATE: 2/26/15

ADDRESS: 5911 TWILIGHT DR. LOT 550 LEALYHILLS, FL. 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

MANAGEMENT WAS VERY RUDE WHEN WE ASKED THAT THEY NOT LET FIRE HYDRANTS RUN FULL FORCE ON OUR LAWN WHICH WAS ALREADY SINKING. AN AFRICAN AMERICAN WORKER MADE A SPOUT TO THROW WATER TO THE ROAD, BUT MANAGEMENT REFUSED TO DO THAT! THEREFORE, THE HYDRANT IN FRONT OF OUR HOUSE HAS NOT BEEN FLUSHED IN 5 YEARS!

* Rates Unaffordable



- Social Security COLA - Cost of Living Adjustment
 - 2009 - 0.0%
 - 2010 - 0.0%
 - 2011 - 3.6%
 - 2012 - 1.7%
 - 2013 - 1.5%
 - 2014 - 1.7%
- Labrador Interim Rate Increase
 - 13.01% for water and 20.06% for wastewater
- Labrador Desired Rate Increase
 - Approx. 37% for water and 71% for wastewater

* Customer Comments Unaffordable

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Floyd + Susan Piepenburg DATE: 2/25/15
ADDRESS: 41303 Whitmer Drive, Zephyrhills, FL 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

The new interim rates are 300% higher than in Zephyrhills and that is without the increase that Labrador is requesting. People on fixed incomes cannot afford to pay that kind of money for water + sewer. Our Social Security increase was 1.6%, so lets be reasonable. When it takes them 3 days to fix a water leak in the park, something is wrong + then mud down the whole street, what a mess.

*Customer Comments Unaffordable

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Pauline Lambert DATE: 2/24/15
ADDRESS: 5804 Naples Dr

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

With the new percentage for water lower
I'm looking to move - getting to
expensive to live FLE!! Been here 10 yrs.

*Customer Comments Unaffordable

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: John L. Martin DATE: March 5, 2015

ADDRESS: 6001 Forest Ln. DR.

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

The water bill keeps going up but the
quality of the water never gets
any better. Not fair to seniors
living on very limited incomes.

*Customer Comments Unaffordable

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: DONALD BALL DATE: Feb 24/15.
ADDRESS: 5707 Viau Way Zephyr hills FL 33540

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

The water quality is below standard for what is
being experienced by residents in the area.
If costs continue to increase, it will not be
worthwhile to maintain a property here.

* Customer Comments Unaffordable

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Carolyn B. Dilks DATE: 2-

ADDRESS: 6460 Presidential Cir., Zephyrhills, FL.
33540

Please indicate a yes or no by checking the appropriate box:

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

I am definitely considering moving out due to
inability to pay such excessive rates. Even
if H₂O quality was first rates I would
not be able or willing to pay such
absurd fees.

*Customer Comments Unaffordable



Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Daniel + Becky Pride DATE: 2-26-2015

ADDRESS: 6080 Springlake Cir,

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

This issue is so huge, it is going to change
the reputation of this park. My wife and I will
move if this increase is applied.

* Customer Comments Unaffordable

Application for increase in water and wastewater rates in Pasco County by
Labrador Utilities, Inc.

DOCKET NO. 140135-WS

Name EILEEN GOLDSTEIN

Address 6202 FOREST LAKE DR.

CONSUMER COMMENTS

IN 2011, MY HUSBAND AND I PURCHASED A FULL HOUSE WATER FILTER BECAUSE OF THE POOR WATER QUALITY. WE ALSO HAVE A REFRIGERATOR FILTER FOR DRINKING WATER. WITH ALL THESE ADDITIONS, I STILL SMELL CHLORINE WHEN SHOWERING AND HAVE A GRAY RING IN OUR TOILETS AFTER ONLY A FEW DAYS AFTER CLEANING THEM. IF LABRADOR UTIL. IS GRANTED THE RATE INCREASE, MY HUSBAND AND I WILL BE PAYING \$170.00 PER MONTH FOR WATER AND SEWER THAT IS STILL POOR QUALITY.

WE, LIKE ALL THE OTHER RESIDENTS IN OUR PARK, ARE ON FIXED INCOMES AND CANNOT AFFORD TO PAY THIS MUCH, IN ADDITION TO ALL OUR OTHER EXPENSES. THE FULL HOUSE WATER FILTER COST WAS \$1365.00 AND THE REFRIGERATOR FILTERS ARE \$40.00 EACH AND ARE REPLACED EVERY 6 MONTHS. WHY DID WE SPEND ALL THIS, AND THEN STILL HAVE TO SPEND THE MONEY ON THE RATE INCREASE.

Fold and tape -- see back for address



*Customer Comments Unaffordable

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: MAURICE DUBOIS

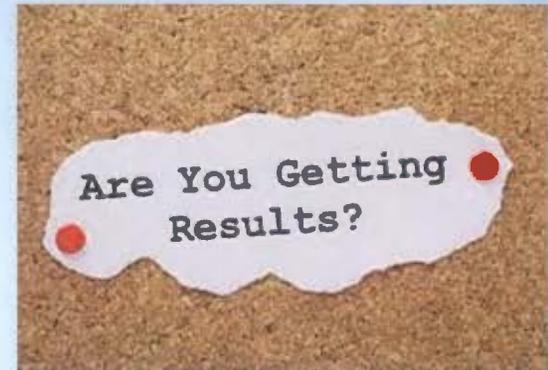
DATE: FEB 24/15

ADDRESS: 6401 JESSUP DR. ZEPHYRHILLS, FL.

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

THE PRICE WE PAY FOR THE WATER
GOLD SHOULD BE RUNNING OUT OF THE
TAPS.

* Conclusion Unjust and Unreasonable Rates



- Labrador deserves a fair return on the product they provide
- Public Service Commission Must:
 - Make determination of “value and quality of service” provided
 - Only award rates that “just and reasonable” given the totality of the circumstances
- Warren Buffet: “Price is what you pay. Value is what you get.”

* Conclusion Unjust and Unreasonable Rates

Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: Dan & Kim Lamont DATE: Feb. 27, 2015
ADDRESS: 6130 Jessup Drive

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

If we had known about the water we would
of never bought in this park

* Conclusion Unjust and Unreasonable Rates



Application for Increase in Water and Wastewater Rates in Pasco County by Labrador Utilities, Inc.
Before the Florida Public Service Commission
Docket No. 14-0135-WS

CONSUMER QUESTIONNAIRE

NAME: JOHN S WAKEMAN DATE: 02-24-2015

ADDRESS: 6052 UTOPIA DR LOT 692

Please provide any comments that you believe demonstrate your experience with the service and quality of the water and wastewater services provided by Labrador Utilities, Inc.

POOR RETURNED ON DOLLER

Labrador Utilities Inc.

OPC's Analysis of Water Tank Deferred Maintenance

<u>Docket No.</u>	<u>Test Year Ended</u>	<u>PAA Order No.</u>	<u>Rate Increase Effective</u>	<u>Total Deferred Tank Maintenance Request</u>	<u>Total Deferred Tank Maintenance Granted</u>	<u>5-Year Amortization Granted</u>
080249-WS	12/31/2007	09-0711 (1)	11/1/2008	\$46,204	\$46,204	\$9,241
110264-WS	12/31/2010	12-0206	5/17/2012	\$46,204	\$30,138	\$6,028
140135-WS	12/31/2013	NA (2)	6/15/2015	\$0	\$0	\$0

Amortized Costs Paid by Ratepayers

	<u>080249-WS</u>	<u>110264-WS</u>	<u>Total</u>
2008	\$1,540		\$1,540
2009	\$9,241		\$9,241
2010	\$9,241		\$9,241
2011	<u>\$3,465</u>	\$3,768	\$7,233
2012		\$6,028	\$6,028
2013		\$6,028	\$6,028
2014		\$6,028	\$6,028
2015		<u>\$3,265</u>	<u>\$3,265</u>
Total Paid by Ratepayers	<u>\$23,487</u>	<u>\$25,117</u>	<u>\$48,604</u>

Notes:

- (1) Docket 080249-WS effective date is interim rate effective date as no adjustment was made to remove the amount from the interim revenue requirement.
- (2) No tank maintenance was requested as the company requested a proforma plant adjustment for a new water tank.

Parties/Staff Handout
 Internal Affairs/Agenda
 on 5/5/15
 Item No. 5