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RICHARD CORCORAN
Speaker of the House of Representatives

November 8, 2017

Carlotta S. Stauffer, Director
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20130265-WU; Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

Dear Ms. Stauffer:

Our office has reviewed the utility filings regarding Phase II rates in the above referenced docket. We have also received comments from customers and residents of Little Gasparilla Island. One of the new customers, added after the interconnection was completed, stated they were completely unaware of a potential Phase II rate increase. OPC maintains notice should be provided to the customers before the recommendation for Phase II rates is filed to allow customer comments to be incorporated into Staff's recommendation. A customer meeting on quality of service issues should also be held given it has been three years since Phase I rates were approved.

In addition, our review raises specific concerns regarding the \$26,064 included for Easements obtained (apparently) for the North Line Extension project already included in Phase I rates. We take issue with these costs and urge the Commission to exclude these costs from Phase II rates.

Commission Order No. PSC-2014-0626-PAA-WU, issued October 29, 2014, states that the "Utility's building construction and meter replacement program are scheduled to begin in 2015, and therefore, will be considered in the Phase II revenue requirement".¹ The utility's North Main Extension project was included in Phase I; therefore, any additional costs associated with completed Phase I pro forma projects, like this project, should be excluded. Moreover, the prior order only contemplates considering the new building and meter replacements, not obtaining easements from property owners. If the utility seeks to include new items not contemplated in Phase II rates, such as the \$26,064 for Easement related costs, then the utility opens the door to a more robust rate case investigation by Staff and its customers, including a follow-up customer meeting so that customers (especially new customers) have an opportunity to comment on the utility's requested Phase II increase and quality of service. Because Easement related costs submitted by the utility were not contemplated in Phase II rates, these cost should be excluded.

¹ See Order No. PSC-2014-0626-PAA-WU, issued October 29, 2014, in Docket No. 2013265-WU, In re: Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc., page 22.

OPC's analysis of Easement costs

Whenever the Commission decides to review these Easement costs, the Commission should remove all imprudently incurred easement expenses. It has been alleged by some residents that the utility's North Line Extension was installed on private property without first obtaining the necessary easements from the property owners. If that is true and the utility later obtains an easement, any utility legal fees incurred for obtaining easements after-the-fact should be excluded as being imprudently incurred.

As for the \$26,064 included for the easements listed in the utility's April 28, 2017 letter,² the utility has not provided any documentary proof whether these easements were obtained before or after crossing the property owners' land or why these easements were needed. It is unknown whether these legal fees and easements are for the Charlotte County interconnection project or the North Main Extension project. If these easements were obtained after-the-fact, the legal fees should be excluded as being imprudently incurred.

Included with the \$26,064 for recovery in Phase II rates are approximately \$14,000 for legal fees and appraisal costs for obtaining a \$7,000 easement from an island resident through an eminent domain proceeding. The cost of the easement is an issue because it is significantly higher than the other easements the utility obtained. Thus, there is a question as to whether this easement was obtained before or after the utility's waterline crossed this person's property. The utility's legal bills begin on February 6, 2015, which is approximately the time the interconnection project was completed. Based on the timing of these legal fees, it appears these legal fees were incurred after the utility constructed a water line across private property without first legally and appropriately obtaining an easement from the property owners.

Until and unless it can be determined these easements were prudently incurred for the interconnection project, these costs should not be allowed in Phase II rates and passed on to ratepayers.

Updated system maps

Since the issuing of the Phase I Order over three year ago, the utility claims it has completed the interconnection with Charlotte County and has installed new meters throughout the island. If the Commission does not already have the most current system map(s) showing all the lines, a new map should be required to be provided to the Commission staff for verification before approving any Phase II rates.

Further, because there is some question about how and when the utility obtained its easements since the Commission approved Phase I rates, the utility should also provide a map showing all the easements it has obtained, the date the easements were obtained, and any easements that are still needed.

Boil water notices

A current customer indicated there have been water quality issues and boil water notices since the utility interconnected with Charlotte County. A copy of all boil water notices, along with customer complaints, should be provided to the Commission for consideration before approval of any Phase II rates.

² Letter filed with the Commission on May 1, 2017 pursuant to Commission Order No. PSC-14-0626-WU, which required the utility to provide documentation to support the Phase II pro forma plant items.

Conclusion

The Commission's Phase I Order did not hold the docket open to consider additional costs for the North Line Extension, thus any of those costs should be excluded. In addition, the costs the utility is seeking recovery for in Phase II rates may include legal fees incurred after the utility installed lines across private property apparently without first obtaining the required easements; thus, these legal fees should be disallowed as imprudent. As a result of the utility's imprudence necessitating an eminent domain proceeding, the \$7,000 easement is significantly higher than other easements. Therefore, any imprudent costs should not be allowed to be recovered through rates.

Respectfully submitted,

s/ Denise N. Vandiver

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