

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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FPSC - COMMISSION CLERK

In the Matter of:

DOCKET NO. 20150010-WS

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN BREVARD COUNTY BY
AQUARINA UTILITIES, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 8

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

DATE: Friday, April 20, 2018

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

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

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

2 CHAIRMAN GRAHAM: Next item is Item No. 8.

3 Thank you.

4 Okay, staff, Item No. 8.

5 MR. LEWIS: Good morning, Commissioners. I am
6 Clayton Lewis representing Commission staff.

7 Item 8 address Aquarina Utilities' request for
8 an extension to complete proforma items approved by
9 the Commission in December of 2016. The utility is
10 requesting that extension through November 30th,
11 2018. This is a second requested extension.

12 Commission staff is available to answer your
13 questions.

14 The Office of Public Counsel is here to
15 address the Commission, and the utility has
16 representation to address your concerns.

17 CHAIRMAN GRAHAM: Okay, staff.

18 Mr. Friedman, you got anything for us before
19 we go to OPC?

20 MR. FRIEDMAN: I do not.

21 CHAIRMAN GRAHAM: Okay. OPC.

22 MS. CHRISTENSEN: Good morning, Commissioners.
23 I have a handout that I guess has been presented to
24 you. And I wanted to address you today -- my name
25 is Patty Christensen with the Office of Public

1 Counsel. And with me also is Ms. Denise Vandiver.

2 We are here today because the utility is
3 asking for another extension of time to complete
4 its proforma projects that it identified as, and
5 the Commission determined to be, critical parts of
6 its aging plant.

7 Now, OPC does not oppose granting one more
8 extension, since it appears the delay is due to
9 circumstances that the utility does not control.
10 We would caution against any further delays in
11 these projects because, as the Commission
12 determined in the utility's last rate case, these
13 projects are critical replacement parts of its
14 aging plant.

15 In addition, and to these four critical parts
16 and replacement projects, the Commission ordered a
17 management audit to be done in the last rate case.
18 In that management audit, there were
19 recommendations that made to address concerns
20 raised by the customers and other matters that the
21 Commission routinely addresses.

22 For your convenience, I have provided on the
23 handout a copy of the four projects that were the
24 critical infrastructure type projects, as well as
25 the recommendations that your staff made as part of

1 its management audit.

2 In lieu of reading all of the recommended
3 actions, I would just ask that the utility be
4 required to file a status report with the
5 Commission regarding its implementation of these
6 recommendations and these recommended actions. We
7 believe that if the utility is not implementing a
8 recommendation, that they should explain why they
9 are not implementing that recommendation.

10 OPC also asks for a status report to include
11 the utility's project -- or, I am sorry, progress
12 with regard to the four identified critical
13 infrastructure projects and the mapping system.
14 And we would recommend that that status report be
15 provided within 30 days. And that way the
16 Commission, as well as OPC, can keep track of
17 whether or not this utility will be able to meet
18 the extension if the Commission grants that today.

19 Thank you.

20 CHAIRMAN GRAHAM: Mr. Friedman, have you had
21 an opportunity to look at this sheet?

22 MR. FRIEDMAN: Just now.

23 CHAIRMAN GRAHAM: Okay.

24 MR. FRIEDMAN: It was not provided in advance,
25 so obviously I haven't had an opportunity to

1 discuss any of this with representatives of the
2 utility.

3 It sounds like Public Counsel is not objecting
4 to the extension of the time, and for that we -- we
5 agree.

6 I would never say never. I mean, we would
7 certainly hope that they would make this November
8 date, but I don't think you can never say never
9 because stuff happens. But I think, as public --
10 as Public Counsel pointed out, you know, for good
11 cause, you ought to extend it. If there is not
12 good cause, you don't. And we don't know that
13 today, so I don't think we can forego the
14 possibility of another extension. Although, we
15 certainly don't think it's very likely, given the
16 fact that this one is six months away.

17 CHAIRMAN GRAHAM: Okay. Staff --

18 MR. FRIEDMAN: And I don't think any further
19 action is necessary.

20 CHAIRMAN GRAHAM: Staff, do you have any
21 comments on OPC's document or comments?

22 MR. LEWIS: The discussions with the utility,
23 they had a concern, of course, when they found out
24 that they pretty much had to start the process
25 again with installing the reverse osmosis skid, is

1 that they were looking at the timeframe of the
2 hurricane season and issues, because they are on a
3 barrier island, and also trying to coordinate the
4 installation -- excuse me -- the installation of
5 the skid -- the new the water treatment plant --
6 excuse me -- with their five-year tank inspection,
7 so that when they draw down this tank to be out of
8 service for the day, that they do that all at the
9 same time.

10 So part of my last conversation with them,
11 they were still in negotiations with the various
12 entities to get that lined up. But their goal is
13 to have all the proforma items done within the next
14 three months, but they still have some concerns
15 that something could come up and delay them, so
16 that's the reason why they asked for November 30th.

17 CHAIRMAN GRAHAM: Commissioner Brown.

18 COMMISSIONER BROWN: Mr. Lewis, that was very
19 helpful. I didn't get an opportunity to talk to
20 you about that in my briefing.

21 But, Mr. Friedman, you know, I worry that time
22 is money, and by delaying these projects, I thought
23 it was just the reverse osmosis skid, but it's all
24 of those proforma plant items, correct? And the
25 further you delay, obviously, costs are going to go

1 up. Construction costs are going to go up.

2 So -- I mean, I don't have a problem with
3 this, given what Mr. Lewis just indicated, that
4 these projects should be done, completed over the
5 next three months, but additional time is going to
6 cost the ratepayers more money.

7 MR. FRIEDMAN: It may or may not. I don't
8 think we can sit here and say -- sit here today and
9 say for certain that that is true.

10 COMMISSIONER BROWN: If I were a betting
11 woman, I would say most likely construction costs
12 are going up.

13 MR. FRIEDMAN: But you are not a betting
14 woman.

15 COMMISSIONER BROWN: I am not. So I would
16 just caution the utility to keep that into
17 consideration. I am fine supporting it today, but
18 if it comes back in November, I won't be as willing
19 to support that.

20 MR. FRIEDMAN: I will pass that sentiment
21 along to them. Thank you.

22 COMMISSIONER BROWN: Thank you.

23 CHAIRMAN GRAHAM: Commissioner Polmann.

24 COMMISSIONER POLMANN: Thank you, Mr.
25 Chairman.

1 Mr. Lewis, I am clear on the necessity for
2 additional time on the RO. Is there a necessity
3 for additional time on the other items, or
4 something specific that you -- that you can help me
5 with on the other items?

6 MR. LEWIS: Yes, sir. When I spoke to the
7 utility a few weeks back, their original plans were
8 to have the installation of the water treatment
9 skid be financed by the company. And so when they
10 found out that there was some issues, and they
11 couldn't ever get it locked down, they were trying
12 to, I guess, manage their outflow, and anticipating
13 getting it done all at the same time, to file the
14 invoices and have the rates -- new rates go into
15 affect so they can immediately start recouping
16 their monies to pay for these new expenses.

17 I believe that's still their goal, but, of
18 course, the major thing that they wanted to make
19 sure they got done was the RO skid first. I
20 believe the catwalks are -- because the quote was
21 over 13 months, they are in the process of
22 renegotiating the quote for the catwalks.

23 And as far as the GIS mapping. It's my
24 understanding is that once they have that
25 solidified, that they will move forward with the

1 GIS mapping, and then they plan on contacting the
2 Florida Rural Water Association as a possible
3 entity that could do that for them. But at this
4 particular time, there is no definite information
5 where they have finalized it and presented it to
6 staff.

7 COMMISSIONER POLMANN: Do you see an
8 opportunity for staff to obtain greater assurance
9 that they will be able to complete all this work
10 within the timeframe that they are asking, or that
11 they have indicated by November? And by that, I
12 mean -- there appear to be things that are
13 currently outside of their control; however, is
14 there a project management plan that would help
15 them gain better control, such as a step-wise
16 process that then you would be knowledgeable of,
17 you know, the incremental steps that would keep you
18 aware so that you can check progress, or they would
19 report the progress to you so that we would know
20 before November?

21 MR. LEWIS: I believe --

22 COMMISSIONER POLMANN: Would that be an
23 additional burden on us?

24 MR. LEWIS: No. No. There is no additional
25 burden to staff in that. That was just a phone

1 call, or a communication or email requesting the
2 status of the major proforma items, no.

3 Whether we act upon or do anything before
4 November, we probably -- we won't, but the idea is
5 that we will keep the, of course, supervisors and
6 yourselves -- I guess if anything comes up that is
7 a major concern, the only thing I can think of in
8 my mind at this time, we are entering hurricane
9 season.

10 COMMISSIONER POLMANN: Understood.

11 MR. LEWIS: And so at that point, you know, if
12 something comes up as far as delaying their
13 installation, then we would just kind of ride it
14 out. But once it gets past July, we will be
15 contacting them saying, you know, are you going to
16 get this done? Are you going to, you know, and
17 then --

18 COMMISSIONER POLMANN: Yes.

19 MR. LEWIS: -- as we move into the further
20 point, we will know at that time.

21 COMMISSIONER POLMANN: Thank you.

22 To Ms. Christensen, an overall question that I
23 have with the list of items that OPC has
24 presented -- let me just ask.

25 Do you see within this overall list that it

1 adds to the project effort the greater burden on
2 the utility with respect to the work effort, the
3 time schedule, the budget, cost to the utility,
4 those types of things, do you believe that this
5 adds to their work?

6 MS. CHRISTENSEN: No, Commissioner. I
7 think -- this order was issued a year ago from the
8 last rate case. The management audit came out in
9 August of 2017. They've had a year to address
10 these action items that the Commission has
11 identified as part of your management audit. And
12 all we are asking for, on the customers' behalf, is
13 that this utility go ahead and provide the
14 Commission with a status update of what actions
15 they've taken to implement or not implement these
16 recommendations so that we know whether or not,
17 from our standpoint, any further follow-up needs to
18 be done.

19 As far as the treatment plants, and our
20 recommendation that the status report be done
21 within 30 days. You know, we are certainly not wed
22 to the 30-day report on the status report. It
23 could be three months. But I think the important
24 thing to note is we don't want to be back here in
25 November finding out that there were issues that

1 came up three months prior that would delay the
2 project. And I think it would benefit everybody to
3 know if there is issues that arise earlier, rather
4 than later, so that we can see what we can do to
5 assist the company.

6 And my understanding was, in the last rate
7 case, they had quality of service issues, and
8 customer service issues. And a lot of the
9 management issues relate to those types of issues.
10 And really, from the customer's perspective, we
11 would like to know what they've done to improve
12 that.

13 And I think it would behoove the utility to
14 improve that before they come in and file the next
15 rate case; which, you know, as soon as they put in
16 these proformas, they are going to come back and
17 they are going to ask for a rate increase, and we
18 would like to see the --

19 COMMISSIONER POLMANN: Okay.

20 MS. CHRISTENSEN: -- improvement on customer
21 service.

22 Thank you.

23 COMMISSIONER POLMANN: All right. Well -- so
24 in short, it's OPC's position that everything on
25 this list, everything on this paper that you have

1 provided, is it OPC's position that everything on
2 here has already been assigned to the utility, is
3 that correct?

4 MS. CHRISTENSEN: Yes --

5 COMMISSIONER POLMANN: Thank you.

6 MS. CHRISTENSEN: -- this was part of the
7 Commission's management audit recommendations that
8 were provided to the utility in August of 2017.

9 COMMISSIONER POLMANN: So this is not
10 additional work from your perspective. This is
11 things that they should already be doing --

12 MS. CHRISTENSEN: Correct.

13 COMMISSIONER POLMANN: -- and that's your
14 place?

15 Mr. Friedman, do you have any comment on that
16 particular point?

17 MR. FRIEDMAN: Commissioner Polmann, I don't,
18 you know. This is the first time I have seen this
19 particular recommendation, but I think that it
20 would probably be better dealt with in the context
21 of the next phase rate increase rather than in
22 connection with granting an extension of time.

23 COMMISSIONER POLMANN: I understand your
24 position. Thank you.

25 Thank you, Mr. Chairman.

1 CHAIRMAN GRAHAM: Was that a motion?

2 COMMISSIONER POLMANN: No.

3 CHAIRMAN GRAHAM: I will entertain a motion.
4 Commissioner Brown.

5 COMMISSIONER BROWN: So I think, listening to
6 Commissioner Polmann's questions, and I see where
7 he is going, would it be helpful, staff, to have
8 the utility provide maybe a letter to the docket
9 file with an update within 60 to 90 days?

10 MR. MURPHY: It might be. And staff does not
11 oppose it.

12 COMMISSIONER BROWN: OPC? Mr. Friedman?

13 MR. FRIEDMAN: A status report on what?

14 COMMISSIONER BROWN: On the proforma items.

15 MR. FRIEDMAN: Yeah, that's fine. I am sure
16 we can do that.

17 COMMISSIONER BROWN: I'm sure OPC would
18 probably want to have the additional management
19 audit issues, but I think what we are dealing with
20 right now is the proforma items.

21 So if we could -- my motion would include to
22 approve staff recommendation on the issues, and
23 provide that -- provided that the utility files a
24 status update letter within 60 or 90 days? Within
25 90 --

1 MR. LEWIS: I would say 90 days.

2 COMMISSIONER BROWN: -- within 90 days on the
3 outstanding items.

4 COMMISSIONER FAY: Second.

5 CHAIRMAN GRAHAM: It's been moved and seconded
6 the Brown motion.

7 Any further discussion?

8 Ms. Christensen, did you have a comment?

9 MS. CHRISTENSEN: If the company is not going
10 to be requested to provide a status report on the
11 management audit, we would just like to note that
12 we are raising the issue now. And as Mr. Friedman
13 duly noted, when they come in for the next proforma
14 adjustment, we've raised these and we would ask
15 that they address that at that time if they don't
16 address it before.

17 Then. Thank you.

18 CHAIRMAN GRAHAM: Thank you.

19 Okay. We have got a motion and a second.

20 Any further discussion on the motion?

21 Seeing none. All favor say aye.

22 (Chorus of ayes.)

23 CHAIRMAN GRAHAM: Any opposed?

24 (No response.)

25 CHAIRMAN GRAHAM: By your action, you have

1 approved the Brown motion.

2 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

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

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

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

DATED this 1st day of May, 2018.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020

DOCKET NO. 20150010-WS- Application for staff-assisted rate case in Brevard County by Aquarina Utilities

Aquarina should be required to file status reports on its compliance and progress with the Pro Forma Projects and the Management Audit.

As part the approved Phase II rates, the utility asked to replace the following parts of its aging plant that the Commission found to be critical projects, along with a new GIS mapping system:

- Water Treatment Plant- Reverse Osmosis Skid
- Wastewater Treatment Plant- Catwalks & Sand Filter Blowers
- Wastewater Treatment Plant- Blowers
- Meter Retirements and Safety Equipment

See, Order No. PSC-16-0583-PAA-WS, issued December 29, 2016, in Docket No. 1500010-WS at pp. 8, 9 and 34.

On August 2017, Commission staff completed its management audit for Aquarina and recommended the following actions:

- The company should include the applicable rate schedules in its monthly bills.
- The company's maintenance books and logs should be kept current to record maintenance work to provide the company a tracking system for documenting and planning both as-needed repairs and preventative maintenance activities. See, Rule 25-30.110, F.A.C., Records and Reports; Annual Reports.
- The company should develop written policies and procedures for complaint handling, maintenance work, and repairs.
- Although Aquarina records and responds to written complaints in accordance with present Commission rules, routinely recording all complaints, including emailed and verbal complaints, would be beneficial.
- The company should establish a more detailed emergency plan prior to major weather events such as tropical storms and hurricanes.
- A Florida Rural Water Association (FRWA) assessment of the utility's plant should be completed.
- The company should send out notifications for all unplanned and emergency outages affecting 10% or more of customers.
- The company should consider additional improvements to customer relations in seeking to provide excellent customer service.
- The company should increase the frequency of fire hydrant inspections from biennially to annually as required by NFPA 25.
- The company should maintain up-to-date records of all fire hydrant maintenance and provide the documents to Brevard County Fire Rescue.
- The golf course and residential irrigation customers should coordinate efforts to allocate available non-potable water and adhere to all voluntary St. John's River Water Management District water restrictions.

Parties/Staff Handout
Internal Affairs/Agenda
on 4 / 20 / 18
Item No. 8