

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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FPSC - COMMISSION CLERK

In the Matter of:

DOCKET NO. 20160165-SU

APPLICATION FOR
STAFF-ASSISTED RATE CASE IN
GULF COUNTY BY ESAD
ENTERPRISES, INC. D/B/A
BEACHES SEWER SYSTEMS, INC.

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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 GILES FAY

DATE: Tuesday, July 9, 2019

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

REPORTED BY: REPORTER
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: Okay. We have one final
3 item on the agenda, Item No. 8.

4 MR. WRIGHT: Good morning, Commissioners. My
5 name is Doug Wright with Commission staff.

6 Item 8 concerns Phase II rate setting for
7 Beaches Sewer Systems. The Commission has
8 previously conditioned Phase II rates for the
9 utility on Beaches' completion of certain proforma
10 items.

11 Staff has reviewed the company's invoices and
12 other supporting documents. And after adjustments
13 for a grant from the Florida Department of
14 Environmental Protection related to storm damage,
15 staff recommends approval of the projects outlined
16 in Issue 1.

17 Issue 2 addresses adjustments to test year
18 revenues in response to a significant reduction in
19 the utility's customer base due to impacts from
20 Hurricane Michael.

21 Staff's recommended Phase II rates are
22 discussed in Issue 3 and can be found in schedule
23 No. 4 -- No. 3 to the recommendation.

24 Representatives from the utility, who I
25 understand would like to speak -- to address the

1 Commission, Office of Public Counsel who may also
2 address the Commission and Commission staff are
3 available to answer questions.

4 CHAIRMAN GRAHAM: Thank you, staff.

5 JR, I will come back to you. I want to hear
6 from Mr. Seifert or Seifret (ph)?

7 MR. SEIFERT: Thank you for putting this on
8 the agenda, and I really do want to thank the staff
9 for helping me through this time period. Reviewing
10 what they did --

11 CHAIRMAN GRAHAM: Sir, I just need your name
12 for the record.

13 MR. SEIFERT: My name is Frank Seifert. I am
14 the President of ESAD Enterprises.

15 CHAIRMAN GRAHAM: Thank you.

16 MR. SEIFERT: Looking through what they came
17 up with, I am in agreement with almost all of it
18 other than the fact that they reduced certain
19 items.

20 Now, we lost 20 something percent of our
21 customers, so you would think certain operating
22 costs would go down. The major one that I disagree
23 with is on the electricity we use. Even though we
24 lost customers, our volume is down, but our plant
25 still runs 24 hours a day, seven days a week,

1 whether it's one gallon going through it or 20,000
2 gallons going through it, the power doesn't
3 decrease.

4 The sludge expense, we are still having to
5 spend about the same amount on sludge expense.
6 They reduced chemicals, which it looks like they
7 may be correct in that, but the main one is the
8 electricity.

9 Thank you.

10 CHAIRMAN GRAHAM: So, sir, your -- what is
11 your recommendation? Do you have the -- do you
12 have the -- do you have this in front of you, the
13 recommendation?

14 MR. SEIFERT: Yes.

15 CHAIRMAN GRAHAM: So let's turn over to page
16 No. 10. I guess it's the -- it summarizes the
17 information that you are talking about.

18 MR. SEIFERT: I would like them to not
19 decrease the sludge by \$528. I would like them to
20 not reduce purchased power by the \$1,746. The
21 chemicals I don't have a problem with. But those
22 two items amount to, like, \$2,300.

23 Through six months of this year, our
24 electrical use is actually up over \$1,000 from the
25 previous year. I don't know if that's because Duke

1 Energy got an increase, or what the reason is, but
2 we are actually higher than we were previously.

3 CHAIRMAN GRAHAM: Okay. OPC.

4 MR. KELLY: Thank you, Mr. Chair. J.R. Kelly
5 for Office of Public Counsel.

6 Commissioners, we just became aware of the
7 issues that Mr. Seifert is raising today yesterday.
8 I went through a very, very cursory review of his
9 electric bills compared to a year ago. While the
10 rate that Duke charges did go up, I have not had an
11 opportunity to vet why certain areas the usage
12 increased threefold by, just to tell you, we have
13 not had a chance to talk to staff or Mr. Seifert.
14 I think three of -- I believe you have four bills,
15 right?

16 MR. SEIFERT: Yes.

17 MR. KELLY: Four electric bills?

18 MR. SEIFERT: Yes.

19 MR. KELLY: Three of them have gone up, like,
20 20 percent. And, again, we have not had an
21 opportunity to vet and figure out why. And one of
22 them went up, looked like 600 percent.

23 So if those are, indeed, normal usage, then we
24 may not question why the -- we may not question Mr.
25 Seifert's request to maintain the electricity at

1 the same amount, but without further vetting, I
2 really can't render an opinion.

3 As for the sludge and the purchase power, I
4 would have to agree with staff, that I am not sure
5 why those would not be removed -- excuse me, why
6 they would not be reduced with the amount of
7 customers that the utility lost. But again, I
8 am -- in full disclosure, I just became aware of
9 these issues yesterday and have not had an
10 opportunity to really delve into them. Other than
11 that, we support staff's recommendation.

12 CHAIRMAN GRAHAM: Staff, comments on Mr.
13 Seifert's request.

14 MR. BROWN: Yes, sir. Mr. Seifert provided
15 staff with detailed billing from Duke for all of
16 2018 and year-to-date 2019. Based on staff's
17 cursory review also, it does appear that energy --
18 the energy cost is up for the first six months over
19 the year, for this year over the first six months
20 last year. So I think we may have been a little
21 premature in making those adjustments in our
22 recommendation as far as purchase power is
23 concerned.

24 Sludge removal, he also provided billing there
25 as well. And it appears that he's probably going

1 to be on track this year to match what we had
2 included in Phase I based on his original customer
3 count.

4 CHAIRMAN GRAHAM: Thank you.

5 Commissioners? Commissioner Polmann.

6 COMMISSIONER POLMANN: Thank you, Mr.

7 Chairman.

8 This is a Class C wastewater only utility, and
9 I was just trying to review here. I had a couple
10 of questions when I was reading. I think, in my
11 review with my own staff, I had gotten comfortable
12 with this, but now that this issue has come up here
13 today, I recognize that, as was earlier mentioned,
14 kind of a cursory review of some of these data, but
15 I did have a question on page 10 of the item.

16 Under additional O&M adjustments, frankly, I
17 disagreed in the reading as to how the adjustments
18 were made. Now, I do recognize that those
19 adjustments are difficult to make, because we
20 simply don't have sufficient data. The data don't
21 exist, would never exist, and that is the
22 adjustments in these costs are made in direct
23 relation to the number of customers.

24 As Mr. Seifert indicated, there was a
25 reduction in customers, and the way the reduction

1 is made, there is a presumption that there is a
2 linear relationship between the costs and the
3 number of customers. There is a percentage
4 reduction in customers and you took a percentage
5 reduction in these costs.

6 And I think staff would agree that in
7 operating a wastewater treatment plants, those
8 costs are not proportional to the number of
9 customers. And Mr. Seifert indicated that that's
10 true, and I would agree with him based on how a
11 wastewater plant operates. The difficulty is that
12 you don't have other information. So we don't
13 really know.

14 MR. BROWN: That's correct, we don't. That
15 was a best guess.

16 COMMISSIONER POLMANN: Guess was, I think, the
17 right word to use. So I am uncomfortable with the
18 direct percentage. If you don't know anything
19 else, it's a guess.

20 MR. BROWN: It was the best information we had
21 at the time. Yes, sir.

22 COMMISSIONER POLMANN: Yeah, at the time that
23 this was written. I think you have got additional
24 information, albeit just recently.

25 MR. BROWN: Correct. And we would agree -- I

1 think we are in agreement -- I think all staff is
2 in agreement that those adjustments that Mr.
3 Seifert talked about this morning were premature in
4 nature and we would be willing to remove those if
5 that's the Commission's discretion.

6 COMMISSIONER POLMANN: Mr. Chairman, I
7 understand OPC's comments, that maybe there hasn't
8 been sufficient time, but I would also want to
9 honor the staff recommendation that we do have some
10 additional data here.

11 I will standdown and wait for other
12 Commissioner comments or questions, but I would be
13 prepared to move the item.

14 CHAIRMAN GRAHAM: I think I am ready for that
15 motion.

16 COMMISSIONER POLMANN: Mr. Chairman, I will
17 move the issues -- move all issues of staff
18 recommendation with an adjustment on Table 1-3, to
19 eliminate the reductions for sludge removal and
20 purchase power, and to restore the costs to the
21 approved Phase I, thereby not reducing \$528 and the
22 \$1,746.

23 COMMISSIONER BROWN: Second.

24 CHAIRMAN GRAHAM: Okay. There is a motion on
25 the floor and duly seconded.

1 Any further discussion on that motion?
2 Staff?

3 MR. BROWN: Sir, could I just make sure we
4 have administrative authority to make any
5 additional changes in the recommendation that may
6 flow through those changes?

7 CHAIRMAN GRAHAM: I think he said that kind
8 of.

9 COMMISSIONER POLMANN: That's what I meant.

10 MR. BROWN: Sorry, I missed that.

11 CHAIRMAN GRAHAM: Commissioner Clark.

12 COMMISSIONER CLARK: I guess I was looking for
13 clarification there. So we are giving staff the
14 authority to make the change based on the actual
15 numbers they find out, or are we just going to
16 assume that -- I don't disagree with Mr. Seifert at
17 all. I think he is probably right, but are we
18 going to verify the numbers?

19 CHAIRMAN GRAHAM: He turned in the numbers.

20 COMMISSIONER CLARK: Okay. So we are going to
21 verify. But the motion was to, correct me if I am
22 wrong, was to approve the original numbers.

23 CHAIRMAN GRAHAM: No. The motion was to
24 restore, without taking the deduction with the
25 sludge removal and the purchase power. So

1 basically the chart on page 10, that middle column,
2 the 528 and the 1,746, those -- we are not going to
3 take that deduction. Those are going to be zeros.
4 And then staff got the administrative authority to
5 correct all the numbers throughout.

6 MS. TAN: And, Commissioners, if I may, Mr.
7 Seifert gave us that information and it is now in
8 the docket file.

9 COMMISSIONER CLARK: Okay. I am good with --
10 okay, I am with you.

11 CHAIRMAN GRAHAM: All right. Any of further
12 discussion?

13 Okay, we have the Polmann motion on the floor
14 duly seconded. Seeing no further discussion, all
15 in favor, say aye.

16 (Chorus of ayes.)

17 CHAIRMAN GRAHAM: Any opposed?

18 (No response.)

19 CHAIRMAN GRAHAM: By your action, you have
20 approved the motion.

21 Okay. This -- that is it for the agenda. We
22 are going to start IA in this room in five minutes,
23 so do what you got to do. We are adjourned.

24 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
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IT IS FURTHER CERTIFIED that I
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I FURTHER CERTIFY that I am not a relative,
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DATED this 16th day of July, 2019.



DEBRA R. KRICK
NOTARY PUBLIC
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