

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 24, 2019

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Christopher Richards, Public Utility Analyst II, Division of Accounting & Finance *CRR*

RE: Docket No. 20180138-SU - Application for staff-assisted rate case in Volusia County by North Peninsula Utilities -- Supplemental Information for Cost of Capital and Operator Fee

Please file the attached documents that were provided by the Utility through email in the above-referenced docket. The documents are:

1. June 20, 2019 Email – Memorandum regarding Rate of Return
2. June 21, 2019 Email – Memorandum regarding Interest on Additional Borrowing
3. June 21, 2019 Email – Memorandum regarding Contract Services

Thank you for your assistance with this matter.

Attachments

RECEIVED-FPSC
2019 JUN 24 AM 9:35
COMMISSION
CLERK

Christopher Richards

From: Tara Hollis <THollis@willdan.com>
Sent: Thursday, June 20, 2019 3:34 PM
To: Christopher Richards
Subject: Docket No. 20180138-SU -- NPUC SARC
Attachments: Memorandum Regarding Rate of Return.pdf

Hi Mr. Richards,

Here is the memo regarding the change in the interest rate on NPUC's debt with Intracoastal. We are working on pulling together a few other pieces of information that may have an impact on the rate case as well. I should have those to you tomorrow.

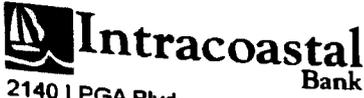
Thanks,
Tara

Tara Hollis, CPA, MBA | Principal Consultant
Willdan Financial Services | *Comprehensive. Innovative. Trusted.*
200 S. Orange Avenue, Suite 1550, Orlando, FL 32801
T. 407.255.2928 | F. 888.326.6864 | C. 407.733.5481
email: thollis@willdan.com | www.willdan.com

MEMORANDUM

To:	Christopher Richards – Public Utility Analyst 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 crichard@psc.state.fl.us
From:	Tara Hollis, CPA, MBA <i>Tara Hollis</i>
Date:	May 13, 2019
Client:	North Peninsula Utilities Corporation (NPUC)
Project:	Docket No. 20180138-SU
Subject:	Discussion Regarding Allowed Rate of Return

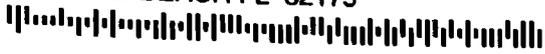
NPUC has reviewed the preliminary Rate of Return calculation prepared by the Florida Public Service Commission as part of this docket. With regard to Intracoastal Loan Number 40000447, as per the loan agreement, the interest rate was set to increase after the loan had been outstanding for 5 years. This 5-year deadline occurred in the second half of 2018, which is slightly outside the Test Year for the current rate case. As shown in **Attachment A**, NPUC received notice that the interest rate increased from 5.25% to 6.70% on November 15, 2018, as provided for in the loan agreement. As this debt represents approximately 69.53% of NPUC's outstanding debt, we would request that the Florida Public Service Commission consider this known interest rate increase in calculating the Rate of Return on Long Term Debt for the Utility. Please let us know if there is any additional information that NPUC needs to provide.



2140 LPGA Blvd.
 Daytona Beach, FL 32117
 877-447-1662
 www.intracoastalbank.net



NORTH PENINSULA UTILITIES CORP
 P.O. BOX 1364
 ORMOND BEACH FL 32175



1-101

LOAN:
 DATE: 11/15/18

* R A T E C H A N G E A D V I C E * PAGE 1

(04) COMMERCIAL REAL ESTATE		MATURITY DATE:	11/15/23
PRINCIPAL BALANCE:	709,860.23	ORIGINAL LOAN DATE:	10/30/13
CURRENT RATE:	6.700000	ORIGINAL LOAN AMOUNT:	825,000.00
INTEREST BALANCE:	3,342.71	DATE OF LAST PAYMENT:	10/19/18
ONE DAY'S INTEREST:	132.11	LAST PAYMENT AMOUNT:	5,594.32

ON 11/15/18 YOUR INTEREST RATE CHANGED FROM 5.250000 % TO 6.700000 %.

*** THIS CHANGE IS MADE IN ACCORDANCE WITH THE TERMS OF YOUR LOAN ***

Christopher Richards

From: Tara Hollis <THollis@willdan.com>
Sent: Friday, June 21, 2019 2:38 PM
To: Christopher Richards
Subject: Docket No. 20180138-SU -- NPUC SARC Proposed Financing Terms
Attachments: Memorandum Regarding Interest on Additional Borrowing.pdf

Hi Mr. Richards,

Please see information on the proposed line of credit borrowing to fund the Utility's current CIP. Please let me know if you have any questions or need additional information.

Thanks,
Tara

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MEMORANDUM

To:	Christopher Richards – Public Utility Analyst 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 crichard@psc.state.fl.us
From:	Tara Hollis, CPA, MBA <i>Tara Hollis</i>
Date:	June 21, 2019
Client:	North Peninsula Utilities Corporation (NPUC)
Project:	Docket No. 20180138-SU
Subject:	Interest Rate Information on Additional Borrowing

NPUC has had preliminary discussion with Intracoastal Bank with regards to a revolving line of credit to be used to fund improvements to the Seabridge Wastewater Facility. An initial quote from the bank is included as **Attachment 1**. Mr. Hillman and Mr. Wilson had follow-up discussions with Intracoastal Bank late last week and are still looking at an interest rate floor of approximately 6.75% to 7.00%. Please let us know if you have any questions or need additional information.

Attachment 1

March 14, 2019

Robert Hillman
North Peninsula Utilities Corp
P O Box 2803
Ormond Beach, FL 32176

Dear Ty and Bob:

Intracoastal Bank is pleased to offer you a term sheet regarding the Bank issuing a \$100,000.00 revolving line of credit for the Seabridge Wastewater Facility in Ormond by the Sea. The terms and conditions below represent the terms and conditions of the proposed loan and would be subject to an appraisal and appropriate legal documentation acceptable to the Bank.

BASIC TERMS AND CONDITIONS OF COMMITMENT

BORROWER: North Peninsula Utilities Corp

GUARANTOR: Ty Wilson, Robert Hillman, and Peninsula Management Inc.

LOAN AMOUNT: Principal amount up to \$100,000.00.

USE OF PROCEEDS: To be used for capital improvements of the facility.

LOAN TYPE: Commercial line of credit secured with a mortgage.

LOAN PURPOSE: Provide funds to provide for \$100,000 in new improvements.

INTEREST RATE: Floating at Prime plus 1% with a floor of 6.75%.

LOAN SERVICE/DOCUMENTATION FEE: \$1,000.00

REPAYMENT SCHEDULE: ON DEMAND: Interest only monthly based on the balance of the drawings. Principal due ON DEMAND.

MATURITY: ON DEMAND.

COLLATERAL: Subordinate mortgage on Seabridge Ave Wastewater Facility, Ormond by the Sea, FL 32176 also known as:

Parcel described as: Seabridge Sewage Treatment site as recorded in Map Book 34, pages 174 and 175 per OR 3360, page 0156 PRVC also indicated as Parcel #s 3216-06-00-0001 and 3216-05-00-0001.

COSTS AND EXPENSES: Borrower shall pay all costs and expenses incurred in connection with the preparation for and the closing of the Loan, whether or not the Loan is closed. Lender shall not incur any expenses in connection with this proposal or in preparing to close the Loan. An estimate of closing costs is provided as an attachment to this proposal.

BANKING RELATIONSHIP: In exchange for the favorable rate and terms, the Borrower agrees to maintain its primary deposit accounts with Lender. In event Borrower fails to maintain its primary deposit accounts with Lender, the interest rate provided in the note secured hereby, may, at Lender's option, increase to a rate equal to one percent (1%) above the stated rate of interest.

ADDITIONAL CONDITIONS:

- 1) Assignment of contractual rights as vested by the State of Florida, Department of Environmental Protection and Public Service Commission.
- 2) Assignment of Accounts as perfected by UCC filings with the State and the County.
- 3) Subordination of management fees of Peninsula Management Inc
- 4) Assignment of any funds escrowed for repair and replacement from proceeds.
- 5) Copy of Public Service Rate award and Renewal of service area.
- 6) Minimum DSC of 1.20 tested annually.
- 7) Receipt, review and acceptance of 2016 and 2017 PTX for Hillman and Wilson.
- 8) Receipt, review and acceptance of YOY 12-31 profit and loss on NPU.

FINANCIAL CONDITION AND STATEMENTS: On an annual basis, corresponding with Borrower's fiscal year-end, Borrower and Guarantors will furnish Lender with financial statements (business and personal) and tax returns in form, scope and substance satisfactory to Lender as prepared by a certified public accountant satisfactory to Lender.

Borrower and guarantors agree to furnish Mortgagee with periodic updated financial statements in such form or detail as reasonably required by Mortgagee (which Lender may require to be certified and audited), but in any event, no later than ninety (90) days following the expiration of Borrower's first fiscal year, and within ninety (90) days of the expiration of each fiscal or calendar year thereafter. Borrower and guarantors further agree to provide Mortgagee with its federal tax returns at least annually within 30 days after filing. In the event these documents are not provided to Mortgagee within the time provided herein, the interest rate provided in the note secured hereby, may, at Mortgagee's option, increase to a rate equal to three percent (3%) above the otherwise current rate of interest.

EXPIRATION: This proposal shall expire 30 days from issuance and closing shall take place no later than 45 days from the acceptance date noted below by Borrower.

Thank you for your interest in working with Intracoastal Bank to achieve your financial goals. Please indicate your acceptance of this commitment by signing below and returning the original letter to me at your earliest convenience.

INTRACOASTAL BANK

By: _____
L. J. McDermott
Vice President

Accepted By:

North Peninsula Utilities Corp

By: _____

GUARANTOR(s)

Ty Wilson, Individually

Robert Hillman, Individually

Peninsula Management, Inc

By: President

Christopher Richards

From: Tara Hollis <THollis@willdan.com>
Sent: Friday, June 21, 2019 3:31 PM
To: Christopher Richards
Subject: Docket No. 20180138-SU -- NPUC SARC - Certified Contract Operator
Attachments: Memorandum Regarding Contract Services.pdf

Hi Mr. Richards,

As discussed briefly, Mr. William Alderson, who provides certified contract operating services to NPUC to supplement the service performed by Wetherell Treatment Systems is needing to retire based on health issues. As a result, NPUC has been looking for a replacement. This replacement is anticipated to cost approximately \$6 to \$8 more per hour than what is currently being paid to Mr. Alderson. Please see the attached memo for additional detail. If you have any questions or need additional information, please contact me.

Thanks,
Tara

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MEMORANDUM

To:	Christopher Richards – Public Utility Analyst 2540 Shumard Oak Blvd. Tallahassee, FL 32399-0850 crichard@psc.state.fl.us
From:	Tara Hollis, CPA, MBA <i>Tara Hollis</i>
Date:	June 21, 2019
Client:	North Peninsula Utilities Corporation (NPUC)
Project:	Docket No. 20180138-SU
Subject:	Contract Services – Adjustment to Certified Contract Operator

In addition to services provided by Wetherell Treatment System, NPUC utilizes the services of an additional certified contract operator to supplement the operating services provided by Wetherell. As shown in the information provided as part of the Test Year operating expenses, those services are currently provided by William Alderson at a rate of \$14 per hour. As per FDEP requirements, Mr. Alderson possesses the certifications required to perform these weekly services for NPUC. Mr. Alderson currently works approximately 12 to 15 hours per week, depending on the amount of any after hours call outs during a given week. Due to health reasons, Mr. Alderson is going to have to retire from his role providing these contract services to NPUC.

Wetherell Treatment Systems is in the process of helping NPUC find a replacement to perform Mr. Alderson's duties. As shown in **Attachment 1**, based on Mr. Wetherell's experience with certified operators within the industry, the replacement will cost approximately \$6 to \$8 more per hour. Based on 12 hours per week, this results in an increase in contract services of approximately \$3,744 to \$4,992 per year. NPUC is requesting that Staff consider the impacts of this impending increase in the calculation of the Test Year operating expenses. Please let us know if you have any questions or need additional information regarding this matter.

Attachment 1

WETHERELL TREATMENT SYSTEMS

600 Hull Road

Ormond Beach, FL 32174

Phone (386) 673-4162

Fax (386) 673-7237

"Over 50 Years Experience"

June 20, 2019

Mr. Bob Hillman
North Peninsula Utilities Corp.
P.O. Box 2803
Ormond Beach, FL 32175-2803

RE: Certified Operator

Dear Mr. Hillman,

We are going to need a certified operator to meet the twelve (12) hour a week FDEP requirement. At the present time, certified operators earn between \$20.00 and \$22.00 per hour.

The operator will need to be able to perform the following duties at the sewage treatment plant:

1. Take daily test for Chlorine and Ph of effluent
2. Make sure all lift stations are working properly. Clean and prime pumps as necessary
3. Check all aeration equipment for proper operation
4. Change blower belts as when necessary

WETHERELL TREATMENT SYSTEMS

600 Hull Road

Ormond Beach, FL 32174

Phone (386) 673-4162

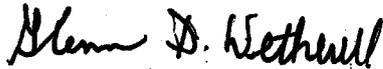
Fax (386) 673-7237

"Over 50 Years Experience"

5. Make sure all air lifts are working and adjusted correctly
6. Take sludge settability test and wasted solids as necessary
7. Make sure all mechanized sludge collectors are working as designed
8. Fill out required paper log sheet and record Chlorine, Ph and daily flows in log book as required by the FDEP

If you have any questions regarding this matter, please feel free to call me.

Sincerely,



Glenn D. Wetherell

President

GDW/nj