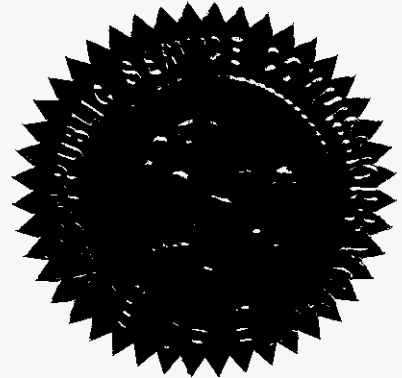


BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 090230-WU

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN ST. JOHNS COUNTY BY
CAMACHEE ISLAND COMPANY, INC.
D/B/A CAMACHEE COVE YACHT HARBOR
UTILITY.



PROCEEDINGS: AGENDA CONFERENCE
ITEM NO. 9

COMMISSIONERS
PARTICIPATING: COMMISSIONER NANCY ARGENZIANO
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER NATHAN A. SKOP
COMMISSIONER DAVID E. KLEMENT
COMMISSIONER BEN A. "STEVE" STEVENS III

DATE: Tuesday, January 26, 2010

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

REPORTED BY: LINDA BOLES, RPR, CRR
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Official FPSC Reporters
(850) 413-6734/(850) 413-6732

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FPSC-COMMISSIONER CLERK

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

2 **CHAIRMAN ARGENZIANO:** Let's move on to
3 Item 10.

4 **COMMISSIONER EDGAR:** 9.

5 **COMMISSIONER SKOP:** 9.

6 **CHAIRMAN ARGENZIANO:** I'm sorry. I lost a
7 sheet. Okay. Let's go to 9 even though I don't
8 have a sheet.

9 Here it is. Sorry. Let me put this back,
10 get in place.

11 **MR. DEASON:** Commissioners, I'm Jared
12 Deason with Commission staff.

13 Item 9 concerns an application for a
14 staff-assisted rate case by Camachee Cove Yacht
15 Harbor Utility. Camachee is a Class C water utility
16 located in St. Johns County. The utility rates were
17 last established in 1988. Staff believes that the
18 utility's rate should be increased, and staff is
19 prepared to answer any questions the Commissioners
20 may have.

21 **CHAIRMAN ARGENZIANO:** Commissioner
22 Stevens.

23 **COMMISSIONER STEVENS:** I just -- whoops.
24 I have to practice at that.

25 I just have a couple of quick questions.

1 Being a Class C, we try to use a similar return on
2 equity for all Class C water systems; is that right?

3 **MR. DEASON:** In this case staff utilized
4 the Commission-approved leverage formula.

5 **COMMISSIONER STEVENS:** Right.

6 **MR. DEASON:** Yes.

7 **COMMISSIONER STEVENS:** Okay. And on this,
8 in this case, this issue, well, the case background,
9 we had positive customer meetings, no negative
10 feedback. The OPC and our staff all agree with
11 this, with the recommendation or with the request?

12 **MR. DEASON:** Yes, sir.

13 **COMMISSIONER STEVENS:** Okay. Thank you.

14 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

15 **COMMISSIONER SKOP:** Thank you, Madam
16 Chair.

17 I just had a couple of questions for this
18 particular item and looking at in relation to some
19 of the things that we discussed on Item 7
20 previously. But on Page 14 of the staff
21 recommendation it discusses the percent increase in
22 terms of the revenue requirement, and I believe it's
23 a 53, 153 percent increase in the revenue
24 requirement because they have not been in for a rate
25 case in some period of time; is that correct?

1 **MR. DEASON:** That is correct.

2 **COMMISSIONER SKOP:** Okay. All right. And
3 then on Page 15, Issue 8, there is an issue with
4 the, with the homeowner with the, with the very
5 large home that was, had two, a two-inch meter for a
6 sprinkler service. And staff had proposed some
7 workarround arrangements that would help the person
8 lower his water bill and base facility charge for
9 that. And can staff just briefly elaborate on that?

10 **MR. DEASON:** Yes. This one particular
11 customer came to light at the customer meeting. His
12 house when it was constructed is serviced by a
13 two-inch meter. The reason he gave that is because
14 his, his home was serviced by a private fire
15 protection sprinkler system.

16 But based on the customer's comments at
17 the time, his entire home in addition to the
18 sprinkler system was serviced by a two-inch line;
19 therefore, he would be required to pay a two-inch
20 base facility charge.

21 Staff has been working with that customer.
22 He is aware of staff's recommendation that we
23 differentiate the services where he can reconfigure
24 his service lines to -- in order that just the
25 sprinkler system is serviced by two inches and the,

1 and the rest of his home by five-eighths by
2 three-fourths. Therefore he could have the
3 five-eighths by three-fourths base facility charge
4 and the, one-twelfth of the two-inch for the private
5 fire protection, thus lowering his, his water bill.

6 **COMMISSIONER SKOP:** Okay.

7 **MR. DEASON:** And right now he is working
8 with his plumber in order to accomplish that, and he
9 is agreeable to staff's recommendation.

10 **COMMISSIONER SKOP:** Okay. Great. Thank
11 you. And then on Page 18 and 19 I guess staff is
12 recommending a three-tier inclining block rate
13 structure be implemented for conservation rates?

14 **MS. BRUCE:** Yes. That's correct.

15 **COMMISSIONER SKOP:** Okay. And then at the
16 bottom of 19 staff noted that the customer base is
17 mildly seasoner -- I'm having trouble talking this
18 morning.

19 **CHAIRMAN ARGENZIANO:** I did too. It's
20 okay.

21 **COMMISSIONER SKOP:** The customer base is
22 mildly seasonal. And in recent cases where a
23 customer base is seasonal the Commission has
24 approved BCF allocations greater than 40 percent to
25 ensure that the utility will have sufficient cash

1 flow. I think in the staff recommendation though
2 that they're looking at a BCF of 35 percent.

3 **MS. BRUCE:** 35 percent. That's correct,
4 Commissioner.

5 **COMMISSIONER SKOP:** Okay. And that's just
6 basically because there's a high degree of
7 discretionary consumption --

8 **MS. BRUCE:** Correct.

9 **COMMISSIONER SKOP:** -- that you want
10 reflected in the gallonage charge?

11 **MS. BRUCE:** Correct.

12 **COMMISSIONER SKOP:** Okay. All right. And
13 then just a final, just a final question, and I
14 think this kind of goes back to the application of
15 the conservation rate structure, and I'm not so sure
16 that there's a difference between affluent and not
17 affluent. I think it should be kind of consistent
18 across the board because previously they had, you
19 know, a 3,000 Kgallon -- I mean a 3 Kgallon
20 allotment. And here on Page 34 you can see some of
21 the ramifications of the proposed rates in the
22 typical five-eighths by three-quarter meter bill.
23 And I think for 3,000 gallons, at the utility's
24 existing rates it's a \$15.41 a month charge, and
25 implementation of the rates will result in a \$30 a

1 month charge. So it's kind of, kind of doubling
2 through 5,000 gallons basically the bill pretty much
3 across the board is the way the rates are
4 structured. And I just wanted the Commission to be,
5 you know, cognizant of that. I didn't know whether
6 we wanted to look at that in the same way as we did
7 for -- you know, when you have situations where a
8 homeowner association has an allotment, whether
9 they're, you know, affluent or not really kind of
10 doesn't matter. It's just a matter of looking at,
11 you know, implementing conservation rates. And, you
12 know, certainly you need a certain amount of water
13 to do your household.

14 But, again, I'm comfortable with the staff
15 recommendation. I just wanted to see if there are
16 any concerns from my colleagues in terms of
17 consistency?

18 **CHAIRMAN ARGENZIANO:** Well, I always have
19 problems with that. You know, the fact that they're
20 affluent has nothing to do with it except for the
21 fact that -- I guess a couple of questions, and
22 Commissioner Stevens had asked them, are the
23 customers aware of the change coming?

24 **MR. DEASON:** Yes, ma'am. The customers
25 are aware. They have been noticed. And we have

1 heard from customers strictly relating to the, the
2 amount of the increase.

3 **CHAIRMAN ARGENZIANO:** So you heard from
4 them. Are they opposed?

5 **MR. DEASON:** The ones that we have heard
6 from, yes, ma'am, they are concerned about the rate,
7 the increase or the amount.

8 **CHAIRMAN ARGENZIANO:** Well, then I've got
9 concerns about the structure of the, you know, the
10 way they're, the increase is applied, as I have with
11 all the others.

12 **MR. FLETCHER:** Madam Chairman, if I could
13 add. Bart Fletcher with Commission staff.

14 We have received about five complaints
15 regarding the nature of the increase in general, the
16 size of the increase, and there's 92 customers. So
17 if that gives you some perspective, five out of 92.

18 **CHAIRMAN ARGENZIANO:** I have a feeling
19 once they get their bill, the others may -- you may
20 hear from the others.

21 **COMMISSIONER STEVENS:** Madam Chair.

22 **CHAIRMAN ARGENZIANO:** Commissioner
23 Stevens.

24 **COMMISSIONER STEVENS:** I would, I would
25 echo what Commissioner Skop brought up. I think

1 consistency is key and -- especially in the rate
2 structures. And if we could -- I don't know how to
3 phrase that or hold it off or set it up to where we
4 can be consistent with how we just handled the prior
5 case, but I think that would be appropriate.

6 **MS. BRUCE:** Commissioner, my name is
7 Sonica Bruce. I would like to add that in light of
8 Peoples Water, Peoples Water, we designed several
9 alternatives in regards to the allotment just as we
10 did for Peoples. So I do have copies. And I don't
11 want to just spring it on you, but -- okay.

12 **COMMISSIONER STEVENS:** Spring it.

13 **COMMISSIONER SKOP:** You saved the day.

14 **CHAIRMAN ARGENZIANO:** It looks like they
15 were anticipating -- okay. Thank you.

16 **COMMISSIONER SKOP:** I'd just like to say
17 just based on a quick look staff anticipated the
18 question and has done a great job here, because this
19 is exactly what was done for Peoples and I think may
20 help resolve this rate structure issue.

21 **MS. BRUCE:** And, Commissioners, I wanted
22 to add -- we didn't know how you all were going to
23 vote on Peoples, that's why we just kind of held off
24 on it.

25 **CHAIRMAN ARGENZIANO:** Sure. Let's just

1 give everybody a chance to look over this, and then
2 spring right in when you're ready.

3 **MR. STALLCUP:** And if I could point out,
4 Commissioner, the alternatives you are seeing on
5 that sheet are exactly the same rate structures we
6 had in Peoples in the last item.

7 **COMMISSIONER STEVENS:** Which one matches
8 the one we approved, three?

9 **CHAIRMAN ARGENZIANO:** I think it's three,
10 isn't it?

11 **MS. BRUCE:** Alternative 4. We don't have
12 an Alternative 4. There's no repression.

13 **MR. STALLCUP:** I stand corrected.

14 **COMMISSIONER STEVENS:** I see. Thanks.
15 Thank you.

16 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

17 **COMMISSIONER SKOP:** Thank you, Madam
18 Chair.

19 And I think Alternative 3 is what we
20 approved in Item 7. I'm looking at this, and
21 Alternative 3 certainly is attractive, but
22 Alternative 1 looks like it provides less of an
23 impact through the consumption of the normal
24 household before you start --

25 **CHAIRMAN ARGENZIANO:** All the way down.

1 **COMMISSIONER SKOP:** Right. So I don't
2 know if that --

3 **COMMISSIONER STEVENS:** And does that -- do
4 each one of these alternatives, and it's the same
5 question, meet the water management district in that
6 area's requirements, or is there a water management
7 district on this?

8 **CHAIRMAN ARGENZIANO:** They're always on
9 it.

10 **MS. BRUCE:** Yes.

11 **COMMISSIONER STEVENS:** And does it meet
12 their requirements?

13 **MS. BRUCE:** Yes, it does.

14 **COMMISSIONER STEVENS:** Conservation
15 minded, et al.

16 **MS. BRUCE:** Yes.

17 **COMMISSIONER STEVENS:** So each one of the
18 alternatives meets that?

19 **MS. BRUCE:** Alternative 1, the allotments,
20 no, that doesn't --

21 **COMMISSIONER STEVENS:** It does not?

22 **MS. BRUCE:** No, it doesn't, no.

23 **COMMISSIONER STEVENS:** Because it is not
24 an inclining block?

25 **MS. BRUCE:** It's not a conservative rate

1 structure.

2 **COMMISSIONER STEVENS:** It's not a
3 conservative -- okay. Thank you.

4 **MS. BRUCE:** Actually 1 and 2, I'm sorry.

5 **COMMISSIONER STEVENS:** One and 2.

6 **MS. BRUCE:** One and 2.

7 **COMMISSIONER STEVENS:** Neither 1 or 2
8 meets their --

9 **MS. BRUCE:** No.

10 **COMMISSIONER STEVENS:** Okay. Then that
11 helps me.

12 **CHAIRMAN ARGENZIANO:** Commissioner Skop.

13 **COMMISSIONER SKOP:** Alternative 1 -- isn't
14 Alternative 1 BCF with inclining blocks for
15 residential class, if you look at the footnote, so
16 wouldn't that be a conservation rate structure in
17 itself?

18 **MS. BRUCE:** It does have an allotment in
19 it, Alternative 1.

20 **COMMISSIONER SKOP:** Okay. But the
21 allotment itself is not favorable to promoting
22 consumption consistent with water management policy
23 at the higher consumption levels, it's just saying
24 that it's reflecting or acknowledging that you have
25 to have a certain amount of water to run your house

1 and everything above a certain level, like at
2 30 kgals may be deemed by the water management
3 district to be discretionary and excessive. If
4 you're watering your lawn like water is going out of
5 style, or something like that, but it seems to me
6 that it is inherent conservation if there are
7 inclining blocks.

8 **MR. STALLCUP:** If I can respond to that,
9 Commissioner.

10 **CHAIRMAN ARGENZIANO:** Please.

11 **MR. STALLCUP:** Any rate structure that has
12 an allotment to BFC, for those gallons in the
13 allotment, there's no price signal sent in the sense
14 that the marginal cost of consuming that additional
15 thousand gallons of water is zero, so there's no
16 incentive to --

17 **CHAIRMAN ARGENZIANO:** So what you're
18 saying is that the water management district wants
19 you to have a zing before they approve. You know, I
20 like 1.

21 **COMMISSIONER SKOP:** I like 1, too.

22 **MS. BRUCE:** Commissioners, I would also
23 like to add, I have been in very close contact with
24 the district, and the district has indicated that
25 the allotment, the inclining block rate structure --

1 I had to get a district-approved rate structure for
2 this particular case. The allotment, that they're
3 going to eliminate that, as well, but have an
4 inclining block rate structure.

5 **CHAIRMAN ARGENZIANO:** I think that --
6 well, I better not say what I think.

7 **COMMISSIONER SKOP:** They don't have to
8 answer for the customers yelling at us for huge rate
9 increases.

10 **CHAIRMAN ARGENZIANO:** Well, it's not
11 just -- it doesn't mean to me that you have to burn
12 somebody in their pocket in order to get them to
13 conserve. And if they're using a small amount to
14 begin with, why sting them if they are using a small
15 amount to begin with?

16 **COMMISSIONER SKOP:** Right. How can you
17 conserve any more than your normal consumption? I
18 mean, Commissioner Stevens mentioned that the
19 average household consumption is anywhere from three
20 to six kgals per month, so, again, why would you
21 penalize somebody to send a conservation signal over
22 and above what they are going to typically use, I
23 mean, which is minimal consumption.

24 **MR. STALLCUP:** If I could address that,
25 Commissioner. It's my understanding that Comanche

1 Cove, this particular utility, serves what are
2 basically second homes for people. Quite a few of
3 them are second homes. Weekend homes, that sort of
4 thing. And in the course of a typical month, the
5 residents will probably not be there, you know, a
6 good chunk of the time. So while, let's say,
7 3,000 gallons might apply for typical usage,
8 nondiscretionary usage for a couple living in their
9 full-time residence, that same 3,000 gallons doesn't
10 necessarily apply to an area that you would
11 characterize as simply being a weekend home. And so
12 I would tend to view an allotment in the BFC as not
13 being appropriately conservation-oriented simply
14 because these aren't full-time residences.

15 **CHAIRMAN ARGENZIANO:** Can I ask you the
16 next question, do they have ordinances as far as
17 watering their grass? It sounds like a community
18 that says you had better water your grass.

19 **MR. STALLCUP:** I'm not aware of that.

20 **COMMISSIONER STEVENS:** It looks like a
21 community to me that may be washing boats.

22 **COMMISSIONER SKOP:** Yes.

23 (Laughter.)

24 **CHAIRMAN ARGENZIANO:** The point is they're
25 watering their grass even when they are not there.

1 **MS. BRUCE:** Excuse me. When they are not
2 there, they are watering.

3 **CHAIRMAN ARGENZIANO:** Sure. And the water
4 management district doesn't have a problem with
5 that, I imagine.

6 **MS. BRUCE:** And if this helps any, their
7 average consumption is about 6.3 kgals, 6,300
8 gallons.

9 **CHAIRMAN ARGENZIANO:** I'm sorry.

10 **MS. BRUCE:** Their average consumption per
11 month is about 6,300 gallons. 6.3 kgals, I'm sorry.

12 **CHAIRMAN ARGENZIANO:** Even when they are
13 not there.

14 **MS. BRUCE:** When they're not there,
15 exactly.

16 **CHAIRMAN ARGENZIANO:** So contradictory,
17 it's okay to water your grass, but -- okay.

18 **COMMISSIONER SKOP:** Madam Chair,
19 Alternative 1, again, looking and trying to balance
20 the interests between what the water management
21 district wants to impose, and looking at rates, and
22 noting that the average consumption is 6.3, you do
23 start under Alternative 1 to feel impact at 4 and 5
24 kgals, so there is -- even though there is an
25 allotment, it's still, you know, promoting

1 conservation within that lower consumption levels,
2 below the average. So, you know, to me it's
3 semantics, but I still like Alternative 1.

4 **CHAIRMAN ARGENZIANO:** All right. But to
5 avoid potential problems with the water management
6 district and wherever else, would Alternative 3
7 suffice?

8 **COMMISSIONER SKOP:** I'm fine with that,
9 too. I mean, the only issue I see with that is at
10 the high end of the consumption, which really is not
11 a bad thing. The bill goes up substantially, but
12 I'm fine with Alternative 3, also.

13 **CHAIRMAN ARGENZIANO:** That gallonage, I
14 guess. But can I ask staff, if we were to pick
15 Alternative 1 and the water management district said
16 they didn't like -- what's the ramifications to the
17 consumers and the company?

18 **MR. STALLCUP:** In the memorandum of
19 understanding we have with the water management
20 districts, the districts are recognized as having
21 technical expertise in the management of water
22 resources. However, for those utilities under the
23 Commission's jurisdiction, we have the financial
24 expertise to set rates. And so we retain the
25 ability to set whatever rate structure we think is

1 appropriate for financial reasons.

2 **CHAIRMAN ARGENZIANO:** And I apologize. I
3 appreciate your answer, it's just that I find it so
4 hypocritical. I just recently had an issue with the
5 Citrus County Water Management District down there
6 with conserving water, and one community is saying
7 you have got oil stains on your driveway, you better
8 get to pressure cleaning. Well, the pressure
9 cleaning -- the people started calling me. I'm not
10 their senator anymore, but they were calling saying
11 isn't this insane that we are using all of this
12 water, we have to pressure clean. But the water
13 management district had no problem with that or
14 watering the gas.

15 So I sometimes really think it's very
16 strange that the water management -- and they're
17 supposed to take a position for water conservation,
18 but it should be so evenly spread that watering your
19 lawn and cleaning your sidewalk should indicate
20 something.

21 But the problem, I guess, that I have, and
22 I think some other Commissioners do is that, you
23 know, the small users shouldn't be penalized. And
24 it sounds like the water management district is
25 saying, well, unless we see a monetary impact, then

1 it's not conservation, and I just totally disagree
2 with that expertise. I think they are using a
3 minimal amount when they are, and if they are don't
4 punish them. If you are going to use more, then
5 punish them. Then set that in there.

6 But saying that, Alternative 3 looks like
7 a fair way of doing it if other Commissioners feel
8 the same way, and if it appeases the water
9 management district and doesn't give the company any
10 kind of heartburn, and those consumers, that would
11 probably be the smarter way to go.

12 Commissioner Skop.

13 **COMMISSIONER SKOP:** Thank you, Madam
14 Chair.

15 I'll try and take a stab at this without
16 having to go item by -- I mean, issue-by-issue on
17 this. But I think I would move to modify the staff
18 recommendation on Item 9. Basically, we would adopt
19 the staff recommendations where it was appropriate
20 to do so, but on those items, specifically on Issue
21 9, we adopt the rate structure identified in
22 Alternative 3 on the staff handout, and wherever
23 that issue falls out through the other issues within
24 Item 9 that that change would be reflected.

25 **COMMISSIONER STEVENS:** Second.

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CHAIRMAN ARGENZIANO: Any comments,
questions? Staff, did we get it right?

MR. STALLCUP: (Indicating affirmatively.)

CHAIRMAN ARGENZIANO: Okay. All those in
favor say aye.

(Simultaneous affirmative vote.)

CHAIRMAN ARGENZIANO: Opposed, same sign.
Show it approved. Thank you very much.

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STATE OF FLORIDA)
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COUNTY OF LEON)

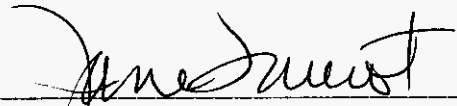
CERTIFICATE OF REPORTER

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, 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 3rd day of February, 2010.



JANE FAUROT, RPR
Official FPSC Hearings Reporter
(850) 413-6732

1 STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
 2 COUNTY OF LEON)

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I, LINDA BOLES, RPR, CRR, Official Commission 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.

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DATED THIS 3rd day of February, 2010.

Linda Boles
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