

State of Florida



Public Service Commission

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COMMISSION CLERK
SR

DATE: June 6, 2013
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Stanley D. Rieger, Utilities System/Engineering Specialist, Division of Engineering
RE: Docket No. 120037-WS: Application of Utilities, Inc. of Pennbrooke for an Increase in Water and Wastewater Rates in Lake County, Florida

Pursuant to Order No. PSC-12-0667-PAA-WS, attached is the April 3, 2013 letter from Martin S. Friedman to Stanley Rieger which details the Utility's efforts to engage customers concerning water quality and water pressure. Please incorporate the attached document into the docket file.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

April 3, 2013

VIA EMAIL ONLY

Mr. Stanley Rieger
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

Re: Docket No.: 120037-WS; Application of Utilities, Inc. of Pennbrooke for an
Increase in Water and Wastewater Rates in Lake County, Florida
Our File No. 30057.205

Dear Mr. Rieger:

Order No. PSC-12-0667-PAA-WS, issued December 26, 2012, required Utilities Inc. of Pennbrooke ("Utility"), within six months of the date of the Order, to provide the Staff with a report detailing the Utility's efforts to engage its customers to address the customer service concerns raised in that proceeding.

- Patrick Flynn and Bryan Gongre met with George Auger, Wayne Stevenson and Tom Webber of the Pennbrooke Fairways Homeowners Association ("Committee") on January 17 and February 13, 2013 at their conference room.
- The Committee identified three issues of concern at the first meeting:
 - Low water pressure occurs in some sections of the community. The frequency is sporadic.
 - Iron stains on clothes, exterior walls and driveways are an eyesore and difficult to remove.
 - Water hardness etches glassware, leaves spots on fixtures and vehicles, leaves mineral deposits in water heaters and clogs plumbing for those homeowners who don't have a water softener in use.
- The Utility staff installed pressure recorders at various locations in the water system in early February to document the location, duration and extent of water pressure changes that occur during each day of the week. The recorders were in place for a week. Water pressure dropped primarily on assigned irrigation days. Water pressure did not fall below 20 psi, the minimum pressure required by FDEP regulations, but it was noticeably lower at times inside homes. Mr. Gongre also analyzed the monthly usage data of the 99 residential customers with a separate irrigation meter to determine the distribution of customers by volume.
- A review of water treatment plant production data indicated that an adequate amount of finished water was produced and stored at the water treatment plant to meet peak demand. All of the equipment at the WTP is working as designed

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and as required by FDEP regulations. However, the typical spike in demand during early morning hours essentially generates an instantaneous demand that at times is greater than the distribution system piping network was designed to deliver. Additionally, some customers were found to use as much as 50,000 gallons per month to irrigate yards that are generally 1/4 to 1/3 of an acre in size.

- The Committee was informed that the St. Johns River Water Management District governs the amount of groundwater withdrawn for public water supply and irrigation. In some years, the Utility's Consumptive Use Permit limit has been exceeded indicating that some customers are using water in excessive amounts based on number of customers, average rainfall, size of lots, type of landscaping and sod, and information provided by the District.
- At the February 13 meeting, Mr. Gongre presented a proposed modification to the community's irrigation schedule. The current schedule directs customers with odd-numbered addresses to water on two specific days of the week and even-numbered homeowners to water on two other days. Feedback from the HOA and from a review of utility complaint logs identified the area known as "The Hill" in the northeast quadrant of the community as experiencing the most frequent low pressure conditions. This is the most distant point of the distribution network. The HOA agreed to modify the irrigation schedule to shift homes in "The Hill" to two other days of the week so that irrigation water demand would be distributed over six days of the week instead of four. This voluntary effort is being coordinated by the HOA and offers a reasonable and timely solution at no cost the customer or the Utility. This revised schedule was initiated on March 1, 2013. After the schedule has been in use for awhile, the Utility will record the pressure in the distribution system again. This is estimated to occur in 1-2 months, at which time the Utility will share it's data with the Committee.
- Regarding potential upgrades to the water treatment process to remove iron and hardness, the Utility solicited a proposal from CPH Engineers, Inc., a local engineering firm that is familiar with the water quality and infrastructure at the Pennbrooke Fairways system, to identify treatment options and the estimated capital and O&M cost associated with implementing them. This engineering effort will cost \$16,000 and take 2-3 months to complete. The Committee discussed how this effort would be funded with the Committee expressing a preference to pay the Utility directly to have this done instead of the Utility requesting recovery of this capital investment in a future rate case docket. In order to gain approval of this \$16,000 expenditure, the HOA chose to conduct a survey of its members to gauge interest in this proposal. A majority of the respondents supported the expenditure, 53%, but the Committee was unsure that 2/3 of the members would support a referendum, which is the minimum requirement for approval. The HOA

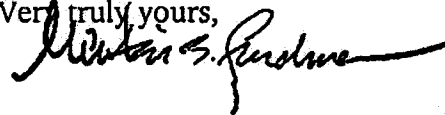
Mr. Stanley Rieger
Florida Public Service Commission
April 3, 2013
Page 3

has elected to wait until its Annual Meeting next January to put this to a vote of the members so as to avoid unnecessary mailing expense and to provide opportunity to discuss the issue at length.

- The Committee indicated that many residents have previously invested in water softeners, filtration devices or other point-of-use equipment that precludes any interest in paying a higher water bill, no matter how small the increase, because of either their satisfaction with water quality or with the treatment equipment in use. Others indicated that they don't have a long planning horizon and thus were disinclined to support capital investment from which they would receive a benefit for only a limited period of time. Many customers are in residence for only a portion of the year and thus perceive little value in alternative treatment.
- If the referendum is held and passes, the Utility and HOA will meet to discuss and refine the scope of the work, the timing and content of the deliverables and the funding of the effort. Once the engineering report is completed and delivered to the HOA, the community will be in position to decide whether to move forward with gaining approval to design, permit and construct the proposed treatment upgrades and improvements through a referendum. The Utility will require that the HOA agree in writing to support the addition of the cost of the capital project to rate base as well as the annual operating expenses in the next rate case.
- If the referendum does not pass, the Utility will continue to efficiently operate the water treatment plant as currently designed. There will be no expectation of any change in the method of treatment or any substantial modification to the aesthetic quality of the water delivered to its customers.

Should you have any questions regarding this matter, please do not hesitate to give me a call.

Very truly yours,



MARTIN S. FRIEDMAN
For the Firm

*Dictated by Mr. Friedman
but signed in his absence
to avoid delay in mailing.*

MSF/der

cc: Michael Lawson, Esquire (via e-mail)
Patrick C. Flynn, Regional Director (via e-mail)