

P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** All right. We have one
3 last on the agenda, Item Number 7.

4 **MS. BRUCE:** Good morning, Commissioners.
5 Sonica Bruce on behalf of Commission staff.

6 Item Number 7 is an application for a
7 staff-assisted rate case in Polk County by Crooked
8 Lake Park Sewerage Company.

9 This utility serves 324 customers. In
10 2006, the Department of Environmental Protection
11 issued the utility a notice of violation, which
12 later resulted in a final judgment for failing to
13 comply to DEP's regulation. However, after a recent
14 transfer of majority organizational control, the new
15 owners reached a resolution and settlement with DEP
16 regarding the final judgment. However, also in this
17 case, staff has recommended a two-phase rate
18 increase to address several pro forma items for
19 compliance and improvement of service.

20 Office of Public Counsel is here to
21 address the Commission, and staff is prepared to
22 answer any questions that you may have.

23 **CHAIRMAN GRAHAM:** Thank you, staff.

24 OPC, welcome.

25 **MR. REILLY:** Thank you. We just had a

1 little handout that will help follow some of the
2 points we're going to try to make.

3 **CHAIRMAN GRAHAM:** Ready when you are.

4 **MR. REILLY:** Thank you. Chairman Graham,
5 Commissioners, I'm Steve Reilly, attorney with the
6 Office of Public Counsel, appearing on behalf of the
7 ratepayers of Crooked Lake Park Sewerage Company.
8 Also appearing is Denise Vandiver with our office.

9 Public Counsel requests the Commission to
10 make four specific changes to the recommendation
11 that's before you this morning. I'd like to briefly
12 describe each of the four changes, and then yield to
13 Denise Vandiver to provide additional support for
14 our recommendation.

15 The first change involves Issue 3, test
16 year rate base, specifically the utility plant in
17 service found on pages 7 and 8. OPC recommends that
18 the Commission not approve including a second
19 expensive truck, a \$34,514 Silverado truck, in rate
20 base.

21 This utility provides wastewater-only
22 service to two small adjacent mobile home parks.
23 The utility pays Park Water Company, a separate
24 company, to provide all the field work, to read the
25 meters, and prepare and send the bills for the

1 wastewater service. The utility pays Consta Flow
2 staff, a third-party contractor, to operate the
3 wastewater plant and to maintain its lift stations
4 and collection lines.

5 In 2012, the utility purchased a new 2013
6 Silverado truck and placed it in rate base to
7 provide transportation to one to two part-time
8 employees to provide relatively unspecified
9 miscellaneous services for the utility. When staff
10 filed its preliminary recommendation for this
11 staff-assisted rate case prior to the customer
12 meeting, staff included the one 2013 Silverado truck
13 in rate base. However, two days before filing its
14 final recommendation, staff filed a 108-page
15 document titled Supplemental Data for July 2013
16 through July 2014. Included in this post test year
17 data was documentation of the utility's purchase of
18 a second new 2014 Silverado truck.

19 Two days later, on February 19, 2015, when
20 staff filed its final recommendation for this
21 docket, OPC learned that staff had included the
22 second new expensive truck in the utility's rate
23 base to be paid for by the limited income customers
24 living in mobile homes being served by this
25 wastewater-only utility.

1 OPC does not believe the utility has
2 provided sufficient justification that the second
3 expensive truck is necessary to provide service to
4 its customers. OPC strongly believes the Commission
5 should not include the second truck in rate base of
6 Crooked Lake Park Sewerage Company.

7 The second change we are recommending
8 involves Issue 6.

9 **CHAIRMAN GRAHAM:** Mr. Reilly?

10 **MR. REILLY:** Yes.

11 **CHAIRMAN GRAHAM:** You have four changes?

12 **MR. REILLY:** Excuse me?

13 **CHAIRMAN GRAHAM:** You have four changes,
14 you said?

15 **MR. REILLY:** Four changes.

16 **CHAIRMAN GRAHAM:** Let's do these one at a
17 time.

18 **MR. REILLY:** Okay.

19 **CHAIRMAN GRAHAM:** Staff, any comments
20 on --

21 **MR. REILLY:** If we are going to take them
22 one at a time, I think -- I was going to let her
23 provide some additional documentation on our four
24 issues. So if we take them one at time, maybe she
25 can do her little part, and then we'll go issue by

1 issue, if that's possible.

2 **CHAIRMAN GRAHAM:** Okay.

3 **MS. VANDIVER:** Yes, Commissioners. My
4 name is Denise Vandiver with the Office of Public
5 Counsel. And I won't reiterate what Mr. Reilly has
6 said, but we do believe that the truck is -- let me
7 start over again. This is not reasonable for the
8 utility to own two new full-sized trucks. The two,
9 one or two maintenance employees that the utility
10 has paid in the past have not really been documented
11 as to what their specific duties are.

12 The staff recommendation only includes 23
13 hours a week for the maintenance work at this time.
14 It appears that the utility is in some sort of
15 transition between what the employees are doing and
16 what they're not doing. According to my
17 conversations with staff, at one time the utility
18 had an employee to do general maintenance work at
19 the plant site and general area and another employee
20 to interact with the contractors. I believe they're
21 turning over some employees now and deciding what
22 those are doing, but we've seen no documentation on
23 what this 23 hours per week is to support.

24 We believe that the 23 hours for
25 maintenance work does not justify one truck, much

1 less two new trucks. We believe that the trucks
2 should be removed, as well as the other related
3 expenses such as the \$3,000 for insurance on the
4 handout, the depreciation of \$5,753, and then, of
5 course, the rate of return impact of \$2,907.

6 **MR. REILLY:** The only thing I would add,
7 and I didn't hear her say, is I think there's even
8 another contract with a third party to actually do
9 the cutting and cleaning around the wastewater
10 plant. So it's just very hard for us to understand,
11 you know, what these -- and there's never really
12 been any specificity to what these one to two
13 part-time employees are really doing. So we, we
14 would invite, you know, staff or the utility to
15 clarify that because there's nothing in the record.
16 There's no time sheets, there's no specific task.
17 It's just very, very vague.

18 And we lived with the one truck, but to
19 put this -- and actually this truck alone represents
20 almost one-half of the rate increase in Phase I, so
21 it's a very material issue to this little, small
22 utility. Thank you.

23 **CHAIRMAN GRAHAM:** Staff.

24 **MS. GOLDEN:** Martha Golden with Commission
25 staff.

1 Mr. Reilly is correct, the truck and all
2 the other components that go with it, they do
3 represent a significant part of the rate increase.

4 The reason, one of the reasons there is
5 such a large impact with this truck is that it's
6 going in at its full value. There's not a
7 retirement associated with it.

8 The first truck that they bought, he
9 referenced the first new truck, when the current
10 owners bought this utility, the former owner kept
11 the truck they had, so the utility was put in the
12 position of having to purchase another truck. There
13 was a retirement associated with that one, so the
14 impact rate base was not as large.

15 In this case, the utility believes that
16 they need a second truck. The service area is about
17 16 miles away from the office. The two employees
18 who are authorized to drive these trucks, one works
19 mostly at the plant and in the service area, the
20 other works out of the office and deals primarily
21 with, like, project management type work where they
22 work with the general contractors who are going to
23 be doing a lot of the improvements to the system and
24 also with the vendors.

25 Again, we relied on what the utility said.

1 They believe they are trying to get the system up
2 and running, they're trying to get back into
3 compliance with DEP. They believe this is an extra
4 person that they need doing this extra work, and
5 because they are working out of different locations,
6 it's not convenient for them to try to share the
7 truck.

8 But having said that, though, it's -- if,
9 if it was your -- if you agree with OPC that it's
10 not reasonable for them to have the second truck,
11 especially considering the impact of the rate
12 increase, we agree that all these separate
13 components should come out. I'm not sure that I
14 agree exactly with their numbers, but it would be
15 pretty close to what they're suggesting. But it is
16 our opinion, based on our conversations with the
17 utility, that it's not unreasonable for them to have
18 the second truck.

19 **CHAIRMAN GRAHAM:** Commissioner Brown.

20 **COMMISSIONER BROWN:** Two questions
21 regarding the second -- or the first truck. So the
22 previous owner has possession of that first truck;
23 is that correct?

24 **MS. GOLDEN:** The previous owner had a
25 truck that had been in rate base before. They kept

1 possession of that, and so the current owners bought
2 a new truck.

3 **COMMISSIONER BROWN:** So then with approval
4 of the staff recommendation, does that take out that
5 first truck in rate base?

6 **MS. GOLDEN:** Yes. The first truck was
7 taken out. The first new truck that the new owners
8 bought was put in in its place. And now there's an
9 additional truck that is not a replacement, so it
10 has no retirement to offset.

11 **COMMISSIONER BROWN:** Okay. So, but they
12 only have one truck, though, for use at this time;
13 is that correct?

14 **MS. GOLDEN:** No, they have two trucks.

15 **COMMISSIONER BROWN:** Two trucks. Okay. I
16 was getting confused with the previous owner's use
17 of the truck.

18 **MS. GOLDEN:** Yes. No. There's -- there
19 are two trucks.

20 **COMMISSIONER BROWN:** All right. So --

21 **MS. GOLDEN:** But the reason there's such a
22 significant impact is because there was not another
23 truck to offset that purchase as a retirement.

24 **COMMISSIONER BROWN:** All right. And then
25 OPC proffered that the Silverado, the second

1 Silverado only serves two small mobile home parks.
2 How many customers -- and you, I think you relate
3 that it was 16 miles or so, something to that
4 effect?

5 **MS. GOLDEN:** It's about 16 miles from the
6 office location to where the service area is. They
7 have -- it's 342 customers officially. One of those
8 is a mobile home park that has 100 residents in it,
9 so we're looking at about, about 442.

10 **COMMISSIONER BROWN:** Okay. Thanks. And
11 they had to buy that 2014 awesome Silverado, didn't
12 they?

13 **MS. GOLDEN:** Yes. What they've indicated,
14 it is larger than the other truck and so it's able
15 to carry more supplies, larger, larger materials when
16 they're doing repairs.

17 **COMMISSIONER BROWN:** Commissioners, I'm
18 more inclined to agree with Office of Public Counsel
19 on this issue.

20 **CHAIRMAN GRAHAM:** Okay. Commissioner
21 Brisé.

22 **COMMISSIONER BRISÉ:** Thank you. Seeing
23 that the utility is seeking to comply with DEP, is
24 there a certain time, length of time that they
25 expect to comply with that? And so my question is

1 really related to purchasing a truck to maybe help
2 in them doing everything necessary to comply with
3 the transportation aspect of it, does it really make
4 sense to purchase a truck to do that, or is there
5 something else that the company could do instead of
6 purchasing a truck to manage whatever transportation
7 needs may exist for the, for the employee?

8 **MS. GOLDEN:** As far as the actual, the
9 DEP-required repairs, the utility has indicated that
10 once they begin construction, it should be completed
11 in about 90 days. But they have been, ever since
12 they purchased the system, have been making ongoing
13 repairs during the test year. And in the additional
14 12 months we looked at after the test year they've
15 made about \$46,000 in ongoing repairs to the system.

16 Regarding other transportation, there is a
17 related company that's a construction company. They
18 would most likely use one of the construction
19 company trucks and could possibly allocate part of
20 that cost to the utility.

21 **COMMISSIONER BRISÉ:** So even if they
22 allocated a portion of that cost, it wouldn't come
23 up to the same value as, as the truck.

24 **MS. GOLDEN:** No. No, it would not. If it
25 was allocated, it would, it would be more related to

1 possibly a share of the insurance cost and fuel
2 expense.

3 **COMMISSIONER BRISÉ:** Okay. To me that,
4 that would sound more reasonable.

5 **CHAIRMAN GRAHAM:** Okay. OPC, Number 2.

6 **MR. REILLY:** Our second change involves
7 Issue 6, test year operating expenses, and
8 specifically the insurance expense, which is found
9 on pages 17 and 18.

10 OPC recommends that the Commission not
11 include the cost of general liability insurance in
12 Phase I rate increase. While commercial general
13 liability insurance is a completely legitimate
14 expense, it is not an expense which has been
15 incurred by this utility for one and a half years,
16 and there is no firm date when the insurance will be
17 purchased. The utility states that it intends to
18 purchase this insurance in the near future or in a
19 few months.

20 Since bids are in for the pro forma plant
21 improvements and the improvements could and should
22 be completed well before the end of the 12-month
23 deadline -- in fact, it's been suggested that
24 everything is ready to go and that the most
25 extensive improvements should be, could be completed

1 in 90 days. If and when the liability insurance is
2 actually purchased, it should be included in the
3 Phase II rates, which will be coming in shortly
4 anyway.

5 So that would be, be our recommendation on
6 the, currently putting the liability insurance in
7 the Phase I rates. I think Ms. Vandiver will just
8 add a comment or two.

9 **MS. VANDIVER:** Yes, Commissioners. We do
10 believe that the general liability expense should be
11 included in Phase II. Phase II rates are designed
12 to cover the capital costs that'll be incurred after
13 today's vote. We believe that the insurance expense
14 that will be incurred after this vote should also be
15 handled in a similar fashion.

16 The recommendation comments that the
17 utility has diverted a significant amount of
18 financial resources toward repairing and improving
19 the utility facilities, which is very true. The
20 staff recommendation posits that the resources have
21 been limited, the cash flow for purchasing this
22 general liability expense, and that may be why they
23 have let it lapse.

24 We believe that these pro forma capital
25 costs of \$477,000 will also stress the cash flow of

1 the utility, and we believe that the general
2 liability may be postponed until these are taken
3 care of. Therefore, we really do believe that the
4 timing is such that if the customers begin paying
5 for it now and the costs are not even incurred until
6 Phase II rates begin, that it would not be fair to
7 the customers. It allows the company to over earn
8 and that would be unfair to the customers.

9 I think Mr. Reilly mentioned that the pro
10 forma plant is planned to be completed within
11 90 days of the initiation, and that would not push
12 the general liability expense off that far. Thank
13 you.

14 **CHAIRMAN GRAHAM:** Staff?

15 **MS. GOLDEN:** Commissioners, we share OPC's
16 concern about the liability insurance. This was a
17 test year expense, but then when it was up for
18 renewal, the utility did not renew it. It is a
19 significant portion of the rate increase; it
20 represents almost 6 percent, which is why we decided
21 to recommend this approach.

22 We did consider putting it in Phase II.
23 We believe that this approach actually would give a
24 little more protection to the customers because we
25 are giving the utility a set time in which they have

1 to purchase the insurance, which is 90 days after
2 the order becomes final. So that's the first step
3 is they have to show us that they've purchased it.
4 And then by the time we get to Phase II, they need
5 to show us that they've continued making payments.

6 So it was our opinion when we did the
7 recommendation that we thought that this was giving
8 a little added extra layer of protection to the
9 customers. However, if it turns out that the Phase
10 II pro forma takes longer than the company
11 anticipates, and often times we see that happen, we
12 would review it -- if you go with our
13 recommendation, we would review it to see if it had
14 an affect on the earnings to the point of even
15 possibly considering a refund to customers if the,
16 if the utility ultimately did not purchase that
17 insurance. But, again, OPC's option is acceptable
18 too, so we would be willing to make that change, if
19 that's your preference.

20 **CHAIRMAN GRAHAM:** Okay. OPC, number
21 three.

22 **MR. REILLY:** Okay. Our third change also
23 involves Issue 13, test year operating expenses, but
24 specifically deals with the depreciation expense
25 found on page 20.

1 OPC believes the depreciation expense is
2 overstated because it includes depreciation expense
3 for three items that are already fully depreciated.
4 OPC recommends the Commission to correct this
5 mistake before issuing its order. Ms. Vandiver will
6 provide the details.

7 **MS. VANDIVER:** Yes, Commissioners. We
8 reviewed the depreciation expense as it was a high
9 percentage of total rate base. And in our review,
10 we reviewed staff's work papers and found that it
11 appears that three of the, three accounts on the
12 handout are fully depreciated. And Commission rule
13 25-30.140 requires that depreciation expense stop
14 accruing when the asset is fully recovered. We
15 believe that the annual impact of these continuing
16 to be depreciated is \$4,000 and that this should be
17 removed from depreciation expense.

18 **CHAIRMAN GRAHAM:** Staff?

19 **MS. GOLDEN:** Commissioners, as always, we
20 do try to be very careful with our calculations and
21 we do watch for these type items. This is the first
22 that this has been brought to our attention.
23 Certainly if this is an error, we would be willing
24 to correct it. But I would like the opportunity to
25 double-check and see if we agree, because, as I

1 mentioned, we do try to be careful with our
2 calculations. And I'm not sure that we do agree,
3 but if we do, we would certainly be willing to make
4 this change.

5 **CHAIRMAN GRAHAM:** Okay. Mr. Reilly, let's
6 take us to the last one.

7 **MR. REILLY:** Fourth and last, this change
8 we're recommending involves Issue 10, Phase II rate
9 increase for pro forma found on, beginning on page
10 25.

11 OPC believes that completion of the pro
12 forma plant improvements will reduce some of the
13 operating expenses approved in the Phase I rates.
14 Those operating expenses include sludge removal,
15 sewage line maintenance, and lift station
16 maintenance. OPC recommends that these reductions
17 in operating expenses should be estimated and
18 included in the calculation of Phase II rates. I
19 guess I'd like to yield to Ms. Vandiver to elaborate
20 on that.

21 **MS. VANDIVER:** Yes, Commissioners. As
22 Mr. Reilly said, we believe that there are certain
23 efficiencies that are being created by the
24 construction of these new pro forma plants. In the
25 staff's recommendation on page 14, the staff says

1 that for sludge removal expense, staff believes the
2 utility will continue to require this level of
3 sludge removal going forward until both the
4 treatment plant and collection system are upgraded.

5 However, Phase II rates include
6 substantial plant additions, but the recommendation
7 does not follow through with a recommended expense
8 reduction. The test year expense for sludge removal
9 is \$10,000, and we have been unable to find any
10 documentation that shows where staff investigated
11 how much the impact of the pro forma plant will have
12 on lowering these expenses. However, we believe
13 that possibly a minimum adjustment of 25 percent
14 would be reasonable to reflect the operational
15 efficiencies, and this would result in a decrease of
16 2,521, which can be found on page 2 of the handout.

17 We also believe that some of the
18 maintenance expense included in contractual services
19 other should be reduced to reflect the cost savings
20 that'll be realized also. On page 26 of the staff
21 recommendation there's a chart that shows the
22 different pro forma plant items and the benefit that
23 the company will receive from making these
24 additions. The benefit for the collection system
25 mapping and cleaning is to locate lines that need to

1 be replaced and to allow a better flow to the main
2 lift station. And, in addition, the second item is
3 to replace the 4-inch force main, and the benefit
4 there is to repair and replace pipes to improve
5 service.

6 The utility had significant maintenance
7 costs during the test year and post test year that
8 was included in the staff recommendation for just
9 these items. We believe that -- we were -- let's
10 see -- we were able to reconcile almost to the,
11 almost to the dollar amount that staff included in
12 the contractual services other, and we believe that
13 there was \$2,000, \$2,120 in contractual services for
14 separate, six separate invoices for sewer line,
15 maintenance, and repairs. We believe that some of
16 these would be impacted by these improvements to the
17 lines and to the lift station. We believe that
18 possibly a 25 percent reduction to these, this
19 expense would also be a reasonable efficiency based
20 on the pro forma plant. Those six invoices are
21 listed on page 2, and I did not apply the 25 percent
22 to the one for the manhole as that was not part of
23 the pro forma plant.

24 Page 26 also indicates that the benefit
25 for the pro forma item to replace the electrical

1 control panel is to fix float sticking and failure
2 at lift station. Based on our analysis, it appears
3 that there were \$871 in repairs for five visits
4 related to the lift station floats and \$688 for
5 three visits related to the alarm, and these can be
6 found on the handout also. The lift -- it's called
7 lift station alarms and lift station float repairs.

8 There were also three septic pump out
9 invoices where the lift station had to be pumped out
10 separately, and we believe that these three sets of
11 expenses should be seeing some efficiencies from the
12 pro forma plant additions, and we recommend a
13 25 percent reduction for those. Thank you.

14 **CHAIRMAN GRAHAM:** Staff.

15 **MS. GOLDEN:** Commissioners, OPC is correct
16 that over time there should be some significant
17 improvements, and we would expect to see a reduction
18 in certain repairs. The reason that we did not
19 remove those at this time is that the pro forma
20 that's in this case, although it does include some
21 work on the lines, our engineering staff did not
22 believe that it would be everything. The utility
23 had indicated this was going to be the first step to
24 correcting the collection system, that, depending on
25 what they find, there may be additional work. And

1 based on engineering staff's review, they believe
2 there will still be problems with the lift stations,
3 additional sludge removal and so forth until the
4 system is completely upgraded. So for that reason,
5 we did not make any adjustments to reduce that at
6 this time.

7 And I'm not sure if engineering staff
8 would like to add to that or not, but in, in the
9 long-term we would agree that you would see a
10 reduction in these type expenses.

11 **CHAIRMAN GRAHAM:** Okay. Okay.

12 Commissioners, I think the third thing that OPC came
13 up with, which was the depreciation expense, if
14 that's an error that we made, I think we can give --
15 and, Mary Anne, you can tell me this -- staff
16 administrative authority to recalculate and make
17 those changes on their own; is that correct?

18 **MS. HELTON:** I was actually thinking the
19 same thing, Mr. Chairman.

20 **CHAIRMAN GRAHAM:** Do we need to make a
21 motion to do that?

22 **MS. HELTON:** Yes, sir.

23 **CHAIRMAN GRAHAM:** Commissioner Edgar.

24 **COMMISSIONER EDGAR:** Thank you, Mr.
25 Chairman.

1 For the third category of changes that OPC
2 suggested which pertain to Issue 13, I would ask
3 that our staff review the numbers. And if there are
4 errors in the calculations, that they be given the
5 authority to make those corrections.

6 **CHAIRMAN GRAHAM:** It's been moved and
7 seconded. Any further discussion on that specific
8 issue, which is -- I'm sorry -- that specific item?
9 No? All in favor, say aye.

10 (Vote taken.)

11 Any opposed? Okay. So we've taken care
12 of number three on OPC's list.

13 Commissioners, any suggestions?

14 Commissioner Edgar.

15 **COMMISSIONER EDGAR:** Mr. Chairman, for the
16 second category that OPC raised, which pertained to
17 Issue 6, I am comfortable with the staff
18 recommendation and I would recommend that we leave
19 that as it is.

20 **CHAIRMAN GRAHAM:** It's been moved and
21 seconded, staff recommendation on Issue 6 or OPC's
22 second item. Any further discussion on that, any
23 further questions? Seeing none, all in favor, say
24 aye.

25 (Vote taken.)

1 Any opposed? By your actions, we've moved
2 that one.

3 Okay. So we're still dealing with OPC's
4 number one and OPC's number four.

5 Commissioner Brisé.

6 **COMMISSIONER BRISÉ:** Thank you, Mr.
7 Chairman. Addressing the removal of the truck, and
8 I'm trying to see which item that is, it's --

9 **COMMISSIONER BROWN:** Three.

10 **COMMISSIONER BRISÉ:** Three? Okay. I
11 would be comfortable with a shared expense with the
12 company, if that is allowable, for the 90 days to
13 address the transportation issues. I think that
14 that would address the actual need versus purchasing
15 a truck and putting the truck into service based
16 upon a limited need. Okay? So I haven't made a
17 motion yet, so I'm just floating that out there.

18 **CHAIRMAN GRAHAM:** Staff, is there a
19 recommendation on what a shared expense would be in
20 this specifically?

21 **MS. GOLDEN:** I'm really not, not sure.
22 Just throwing out an idea here, we could take the
23 expenses that were included here for the insurance
24 and the fuel and then just give a pro rata share of
25 that for the 90 days or however -- that, that, those

1 are the only numbers I have available to me right
2 now.

3 **CHAIRMAN GRAHAM:** Does OPC have a
4 suggestion?

5 **MR. REILLY:** I think if the truck is
6 removed from rate base and you look at those other
7 costs and apportion that annual cost by the 90 days,
8 I think that would be very acceptable.

9 **CHAIRMAN GRAHAM:** So, Mary Anne, can we go
10 with the same sort of thing, with administrative
11 authority for staff to figure out what a pro rata
12 share would be?

13 **MS. HELTON:** Let me make sure I understand
14 because I might have missed something. So we're
15 removing the truck, the second truck from rate base.

16 **CHAIRMAN GRAHAM:** Correct.

17 **MS. HELTON:** And then there's going to be
18 a pro rata amount of sharing. Is there a certain
19 percentage that you know? I think if you had that
20 in mind, you could direct staff or -- you lost me
21 there.

22 **MR. REILLY:** Could I have a follow-up?

23 **CHAIRMAN GRAHAM:** Yes.

24 **MR. REILLY:** My problem of even doing the
25 90 days, of course, this is continuing to be

1 collected in annual rates. So if it's just a very
2 short-term, I almost feel like we could almost
3 capitalize that little transportation expense and
4 put it in the rate base -- I mean, perhaps Denise
5 can help me -- rather than embedding it in annual
6 rates, which is really not a good regulatory scheme.

7 **MS. VANDIVER:** If I had to come up with a
8 solution, I think Martha made a comment earlier
9 about how the owner has a construction company
10 that'll be doing some of the work. And if he wanted
11 to allocate some truck expenses through that, it
12 could either be an -- it would probably be
13 capitalized in the project. Because if it's related
14 to the capital project, it seems like it would be
15 appropriate to be expensed -- to be capitalized to
16 the project and they could just roll the truck
17 capitalization into that and it would be part of the
18 Phase II rates. Now, if you're setting Phase II
19 rates now, you might want to adjust them for that,
20 some sort of allocation.

21 But that makes more sense to me than
22 putting an expense in that would be going forward
23 for the next four to five years when it's only
24 occurring for 90 days or whatever.

25 **MS. GOLDEN:** We would agree to that.

1 That's a reasonable approach. And the utility will
2 be required to give us documentation on the cost of
3 all the Phase II construction before we implement
4 the Phase II rates. They could include that with
5 that documentation. And if it was significant, my
6 guess is it's not going to make a significant
7 difference, then we could come back to you with a
8 recommendation to adjust the rates. But just my
9 guess is it really probably won't make a difference.

10 **CHAIRMAN GRAHAM:** So your suggestion is
11 we're going to strike the truck from the rates and
12 we're just going to hold off on any other expenses
13 that's related to the truck when we deal with the
14 Phase II?

15 **MS. GOLDEN:** Basically, yes. You take the
16 truck out and if --

17 **CHAIRMAN GRAHAM:** You're not very
18 convincing right now.

19 (Laughter.)

20 **MS. GOLDEN:** Yes. If the company believes
21 that the expense that they incur with that
22 construction is significant, then we would bring it
23 back to you to adjust the rates.

24 **CHAIRMAN GRAHAM:** Commissioner Brown.

25 **COMMISSIONER BROWN:** Then to sum it up,

1 with Ms. Golden's recommendation I think that the
2 appropriate thing to do for Issue 3 then is to
3 approve Office of Public Counsel's suggestion to
4 remove in rate base the second truck along with the
5 expenses associated therewith, and that would be my
6 motion.

7 **CHAIRMAN GRAHAM:** That's been moved and
8 seconded. Staff, does that handle the problem?

9 **MS. GOLDEN:** We believe so.

10 **CHAIRMAN GRAHAM:** Any further discussion,
11 Commissioners? Commissioner Brisé?

12 All right. We have the Brown amendment.
13 All in favor, say aye.

14 (Vote taken.)

15 Any opposed? By your action, you've
16 approved that amendment.

17 Okay. So we've had the Brown amendment,
18 we've had the Edgar amendment, we had the Graham
19 solution. Now we're going over to the fourth one on
20 the Phase II rates.

21 Commissioners, I didn't see a need for a
22 change, but if somebody had something specific they
23 wanted to work on, please let me know.

24 Commissioner Brown.

25 **COMMISSIONER BROWN:** I agree with you, Mr.

1 Chairman. I don't see a need for a change or a
2 further comment. At least I have no questions, so.

3 **COMMISSIONER BRISÉ:** Move staff on --

4 **CHAIRMAN GRAHAM:** Okay. So other than
5 those three changes that we made, we're moving staff
6 recommendation on the rest of Item Number 7, is that
7 correct, the entire Item 7? Does that work, Mary
8 Anne?

9 **MS. HELTON:** Yes, sir.

10 **CHAIRMAN GRAHAM:** Commissioner Edgar.

11 **COMMISSIONER EDGAR:** I was just going to,
12 for clarification purposes, suggest that we approve
13 the item as it is with the amendments to Issue
14 3 that we discussed.

15 **MS. HELTON:** And as long as it's clear
16 that any fallout issues from that --

17 **COMMISSIONER EDGAR:** Any fallout issues,
18 and staff has administrative authority to make any
19 technical clarifications to the calculations.

20 **COMMISSIONER BROWN:** Second.

21 **CHAIRMAN GRAHAM:** It's been moved and
22 seconded. Commissioner Brown, do you have anything
23 else to add?

24 **COMMISSIONER BROWN:** I do have a question
25 and a comment.

1 **CHAIRMAN GRAHAM:** Sure.

2 **COMMISSIONER BROWN:** Is this appropriate?

3 **CHAIRMAN GRAHAM:** Yes.

4 **COMMISSIONER BROWN:** First I want to thank
5 Office of Public Counsel. Of course, you know, with
6 these small Class C utilities it's always, every
7 dollar counts and it's imperative. And your
8 suggestions really were incorporated appropriately,
9 and we really thank you for the handouts that you
10 have provided us before and during this conference.
11 So thank you so much.

12 Second, I wanted -- I know that we don't
13 have anybody from the utility here today; is that
14 correct?

15 **MS. GOLDEN:** That's correct.

16 **COMMISSIONER BROWN:** I did have a question
17 regarding that Gerard Framing & Drywall related
18 company. You know, Office of Public Counsel raised
19 it in their earlier filed, prefiled documentation
20 after the staff audit was filed. It was a related
21 company. There was a 10 percent surcharge on a
22 variety of items, including postage, Pinch-A-Penny,
23 recycling, Lowe's, things of that nature. And I did
24 want to find out whether the utility is going to
25 continue to use -- I know we had a change in

1 ownership during the test year, but that is a
2 related company of the new owner, and if they're
3 going to continue to use that company to purchase
4 such items like postage and assess a 10 percent
5 surcharge on things like that.

6 **MS. GOLDEN:** No. There's very little that
7 they pay for anymore. That was in the beginning
8 right after the utility was purchased and they had
9 some cash flow issues, and so the related party paid
10 some of those bills. And it's standard that they
11 include that 10 percent surcharge on anything that
12 they do for any of their related companies.

13 We did look at the supplemental year. We
14 saw maybe one or two invoices that included that in
15 the supplemental year. So it appears it's just a
16 rare occurrence at this point that when they, when
17 they're in the position of needing to pay the bill.

18 **COMMISSIONER BROWN:** And thank you, staff,
19 for working with the utility. It looks like you did
20 make a lot of effort to work with this utility and
21 help them over the years with this rate case. But,
22 and also I encourage the utility to be cognizant of
23 the various accounting errors that they made in
24 their test year filing, there were a lot even after
25 the, the ownership changed, so just to be cognizant

1 of those accounting errors as they move forward.
2 And we appreciate their pro forma improvements and
3 encourage them to move forward. And with that, I
4 support the recommendation.

5 **COMMISSIONER EDGAR:** Motion.

6 **CHAIRMAN GRAHAM:** All right. We have a
7 motion and a second. Any further discussion? All
8 in favor, say aye.

9 (Vote taken.)

10 Any opposed? By your actions, you've
11 approved this item.

12 OPC, I want to thank you in your efforts,
13 especially your letter back in August. I think you
14 pointed out a lot of things that were -- weren't
15 easily seen, and I appreciate what you've done.

16 Staff, I do appreciate your flexibility in
17 working with OPC and getting through this. And it's
18 one of those things where the amount of work that
19 goes into something, to such a small utility, it's
20 amazing sometimes, isn't it?

21 Commissioner Brisé.

22 **COMMISSIONER BRISÉ:** Thank you, Mr.
23 Chairman. I think we're done with this item.

24 I just wanted to go back to Item Number 2.
25 I failed to, to recognize Suzanne Brownless and the

1 team in working through that process. It's been a
2 few years in the making and just getting it to that
3 point. And so the team was fantastic in working
4 through that. There were some language issues and
5 barriers that we had to work with, and our team was
6 excellent in going down to the service area and
7 meeting with everyone related to that particular
8 case. So I just want to express my appreciation to
9 them and OPC, who played a role in helping us get to
10 land. And so I just wanted to make sure that the
11 team was aware that we truly appreciate their
12 efforts.

13 **CHAIRMAN GRAHAM:** Commissioner Brisé, once
14 again, I want to thank you for handling that, and
15 especially for you, seeing that there's a language
16 barrier and I know you speak, like, four different
17 languages.

18 Once again, staff, thank you. OPC, thank
19 you.

20 We are going to start IA over in the IA
21 room at 10:30, and hopefully I'll see you over
22 there. And other than that, travel safe and we're
23 adjourned.

24 (Commission Conference adjourned at 10:14
25 a.m.)

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

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

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

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

18 DATED THIS 5th day of March, 2015.

19
20
21
22
23
24
25


LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734

Crooked Lake Park Sewerage Company
Docket No. 130178-SU
OPC Recommended Adjustments

Parties/Staff Handout
Internal Affairs/Agenda
on 3 / 03 / 15
Item No. 7

Removal of Second Truck

Rate Base	
Utility Plant in Service	\$34,514
Accumulated Depreciation.	<u>(\$2,877)</u>
Rate Base Impact	<u>\$31,637</u>
Expenses	
Insurance	\$3,141
Depreciation	\$5,753
NOI Impact	<u>\$2,907</u>
Total Impact	<u>\$11,801</u>

General Liability Expense

General Liability Expense \$8,017

Depreciation Expense Errors

Acct No.	Account Name	Plant	Depr. Rate	Annual Exp. Impact
363	Services to Customers	\$24,448	2.70%	\$660
380	Treatment Disposal	\$51,603	6.67%	\$3,442
394	Other Tangible Plant	\$349	6.67%	\$23
	Total Depreciation Expense Impact			<u>\$4,125</u>

Crooked Lake Park Sewerage Company
Docket No. 130178-SU
OPC Recommended Adjustments
Page 2

Phase II Rates

Test Year Expenses			Reduction
Sludge Removal	\$10,082	25%	\$2,521
 Contractual Services – Other			
Sewer Line Maintenance			
Rod out and clean line (August)	\$125	25%	\$31
Rod out and clean line (March)	\$150	25%	\$38
Repaired manhole	\$256		
Snake sewer line (January)	\$45	25%	\$11
Trailer Jet with Crew	\$724	25%	\$181
Vacuum Rodder with crew	\$820	25%	\$205
TOTAL	\$2,120		466
Lift Station Maintenance			
3 Septic Pump Outs	\$2,088	25%	\$522
Lift Station Alarms	\$688	25%	\$172
Lift Station Float Repairs	\$871	25%	\$218
Other Lift Station Repairs	\$439		
Lift Station Pump Repairs	\$2,850		
Other	\$10		
TOTAL	6,945		\$912
 Total Recommended Phase II Adjustments			\$3,899