

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: July 1, 2015
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Amber M. Norris, Public Utilities Supervisor, Division of Accounting & Finance *Amme*
RE: Docket No. 140239-WS - Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

Please add the following email and its attachment to the above-referenced docket file.

RECEIVED-FPSC
15 JUL - 1 PM 1:55
COMMISSION
CLERK






Amber Norris


From: Steven McDonald <S.McDonald@gaiconsultants.com>
Sent: Friday, June 26, 2015 2:13 PM
To: Amber Norris
Cc: Kelly Thompson; Dexter Monroe; Todd Brown; Steve Cassidy
(scassidy@cassidyhomes.com); Carol Rhinehart (carol@cassidyhomes.com)
Subject: Docket No. 140239-WS
Attachments: Management Services Request.pdf

Ms. Norris,

Please see the attached.

Steven Mc Donald
Senior Economist

GAI Consultants, Inc.
618 E. South Street, Suite 700, Orlando, Florida 32801
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June 26, 2015

Ms. Amber Norris
 Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399

Re: Docket No. 140239-WS; Contractual Services - Professional; Orchid Springs Development Corporation

Dear Ms. Norris:

Orchid Spring Development Corporation (Orchid) respectfully requests consideration of the following discovery to support the allowance for management services ("Contractual Services – Professional") provided to Orchid on an annual basis by the Cassidy Organization, Inc. In the last rate case (Docket No. 980441-WS), the Florida PSC approved a management allowance of \$33,936 for each system. This allowance was increased by \$6,818 from the amount reflected in Orchid's annual report at that time.

Between the last rate study and the current test year (2014), Orchid incurred significant increases in operating costs, specifically related to wastewater operations. After some time, the utility stopped recognizing the costs incurred for management services since the funds were not available due to increases in operating costs. Therefore, the Orchid annual report for the current test year does not adequately reflect the need for an appropriate allowance for management services.

In the request for a Staff Assisted Rate Case (SARC) dated December 10, 2014, Orchid estimated an appropriate allowance for management services for each system at \$41,368 (\$82,736 total) based on compounding the last approved allowance for each position (president, secretary, manager, and accountant) by 1.32% to reflect a modest annual inflationary increase (see table below). In the preliminary staff report dated May 18, 2015, staff is recommending \$25,696 for each system or a reduction of 24% from the 1998 recommendation.

Management Services	Annual Allowance	Rate per Hour
President	\$ 30,475	\$ 58.61
Manager	18,285	35.16
Secretary	31,694	15.24
Accountant	2,282	57.02
Total Allowance	\$ 82,736	

Based on a recent survey by the American Water Works Association (AWWA)¹, water and wastewater utilities of similar size (Class "C") reported an average 1.81 Full-time equivalent (FTE) water-only employees per 1,000 accounts and an average 2.03 FTE wastewater-only employees per 1,000 accounts. With roughly 300 water and wastewater accounts, a similar level of staffing for Orchid would represent 1.252 FTE employees for both systems. An equivalent management expense of \$84,025 would be appropriately estimated using the 1.252 FTE at a median pay rate of \$67,113² for utility management. Duties performed at this pay rate are consistent with the following²:

- Research, suggest, and establish new conservation methods for applicable utilities
- Provide budgetary insight and predictions based on consumption analysis
- Enforce compliance with all policies and regulations
- Manage daily operations and proper maintenance of utility systems
- Schedule repairs and order supplies as necessary

Orchid respectfully submits this information in support of the original request for an appropriate allowance for management services totaling \$41,368 for each system. This allowance is both consistent with the last allowance approved by the Florida PSC as well as industry standards for utilities of similar size.

Please let me know if you have any questions or comments.

Respectfully submitted,

GAI Consultants, Inc.



Steven R. McDonald, MAE
Senior Economist

¹ Copyright © 2015 AWWA & Raftelis Financial Consultants, Inc.

² PayScale – Human Capital (payscale.com)