Aquarina Utilities, Inc.

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6 July 2015

Ms. Carlotta Stauffer
Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

Reference: **Aquarina Utilities, Inc. SARC, Docket No. 150010-WS**
Request for Additional Consideration

Dear Ms. Stauffer,

Aquarina Utilities, Inc. respectfully submits the following issues for further staff consideration regarding their on-going Staff-Assisted Rate Case, Docket No. 150010-WS:

1. **Maintenance Staff:** As introduced in previous correspondence, Aquarina Utilities has a great need for funding for maintenance staff, in particular two experienced people who will perform all general maintenance for the utility, including, but not limited to grounds maintenance, pumps and line maintenance, painting, fence maintenance, tree work, technical repairs and plumbing, meter installations, meter maintenance, and any other work related to the ongoing operations of the water and wastewater facilities. The utility would like to make the Commission aware that we have had extreme difficulty locating experienced, trustworthy, independent-working individuals who would be willing to make the lengthy commute out to Melbourne Beach and who would be capable of communicating effectively with our select group of customers. The need for these employees and their salary information are discussed in the Staff's Third Data Request.

2. **Accelerated Depreciation:** We request that the staff reconsider the rate at which equipment, paint, and other items depreciate more rapidly in the extreme environment of the barrier island setting in which Aquarina Utilities resides.

a. Paint lasts only a fraction of the time it would normally in a standard mainland environment. Paint for hydrants lasts only a year rather than 5 years, regardless of the quality of paint. (We used special hydrant paint recommended by Mueller Co. to paint the hydrants in 2011. The hydrants were removed one by one, sand-blasted, primed, and repainted with 2 coats of hydrant paint, then replaced. In less than a year, we received complaints about the condition of the hydrants, but we have been unable to allocate funds to repaint them to date.) The paint on the storage tank and buildings, completed in 2012 with industrial-grade exterior paint (The tanks were pressure-washed, caulked, primed, and painted.), is already showing signs that they need to be repainted (blistering, chipping, discoloration). The tank paint should have lasted at least five years, if not more. It has only lasted three years. Paint on pipes and valve covers must be replaced annually.
b. Equipment such as pumps do not last more than a year, if that. The non-potable pumps, in particular, have been rebuilt or replaced three times since the utility was purchased in 2011. The pump on the well that services the non-potable system was replaced in 2012 and had to be replaced in May 2015, failing from the character of the ground water and nearly non-stop use. The well casing for the same well, replaced because it split in 2012, corroded and ruptured and had to be replaced again in May 2015.
c. Meters do not last more than two to three years in the non-potable system. The mineral deposits from the raw water pumped for the non-potable system rapidly slow and stop meters in this system. The potable meters also experience mineral deposition rapidly and clog, slow, and stop much more rapidly than normal. The potable lines themselves, PVC with copper feeder whips, fill with mineral deposits that clog the lines and require serious work to clear them, particularly in dead-end lines. If these minerals were calcium-carbonate, as is common in other systems with hard water, we would be able to chemically control the deposition; however, on the island, these deposits are sulfur-based and resist standard control measures. These minerals completely stop meters in just a few years.
d. In addition to challenges with mineral deposition, we also have to contend with the omnipresence of highly aggressive salty ground water in contact with the meters. Between the onslaught of irrigation water lavished on the extensive vegetation of the plush Aquarina community, the proximity of the ocean and Indian River Lagoon and their clear impact on the upper levels of ground water in the community, and the infiltration of soil (and landscape materials) into meter boxes, the meters, whether brass or plastic, corrode and crack, actually rupturing at the base, and cease to operate. While we have replaced more than 1/4th of the meters in the system since 2011, it is clear that meters do not last more than a few years under these conditions. Add to this the 1 in 10 failure rate of new meters from manufacturing flaws (these are Sensus meters), we have a maintenance imperative just to keep putting meters in.

3. **Meter Maintenance:** Aquarina Utilities has the privilege of serving a select community of nearly three hundred households of accomplished, wealthy, retired doctors, lawyers, business and professional men and women. As such, our customers demand a level of service and respect far beyond the ordinary. We have made it our first priority to attend to excellent customer service. In light of this, we are forced to accept the fact that our

customers choose not to be overly concerned with the condition of their meter boxes and the contents of those boxes. While the average municipal utility has the option to issue a notice indicating that a meter will be estimated until such time as it is cleared and excavated, Aquarina Utilities believes that such a notice would incite complaints and agitate the customers, accomplishing nothing. Also, seasonal residents, who most likely never have to consider the meter box at their other home(s), and who do not even attend to their own lawn maintenance, are unlikely to consider the special needs of their meter box in Melbourne Beach. While we have attempted to inspire some concern for the meters, meter boxes, meter readers, and sewer clean-outs in our customers by repeated notices in their Water Quality Report, our efforts go unacknowledged and unsupported.

In light of the customer's general failure to accept responsibility for their meter boxes, Aquarina Utilities is forced to maintain and service meters and meter boxes far beyond the normal level required in a mainland municipal system. The landscape companies that maintain the heavy vegetation so admired by our residents, tend to smash our boxes with their equipment, fill the boxes with leaves and debris, flood the boxes, or completely ignore the boxes to the point that they are overgrown and lost in the grass and shrubs. Irrigation water washes sand into the boxes and completely covers the meters. Homeowners and landscape companies insist on planting everything from Crown of Thorn and bougainvillea shrubs to Queen palms over our meter boxes. In order to keep the meters readable, we have enough work for a full-time person just to clear the boxes and the area immediately surrounding them. We ask that the Commission either provide the funds for the necessary maintenance staff (a third full-time maintenance worker, lower grade at $12/hr) to cover this work made necessary by the customer's neglect or provide a Miscellaneous Service Charge of $25 that may be assessed individually to any customer who fails to maintain their own meter box in the directed manner (Please see attached flier that has been included in the last two Water Quality Reports.) so that utility man-hours are not devoured by maintaining the boxes.

4. **Additional Customer Service:** As the vast majority of our customers are seasonal residents, some with very busy and demanding lives, we have been approached many times by customers requesting additional services related to billing.

    a. **Direct Debit/ ACH Processing:** While we currently have a relationship with a credit card vendor who bills (those customers who choose to use a credit card to pay their bill) directly for the expense of the service, we have many customers who have asked that we provide direct debit of their bank accounts for billing. This service costs about $2.00 per customer per billing, and we would like to simplify and standardize this payment option for all customers, in an attempt to promote this method of payment. Encouraging all customers to utilize direct debit would reduce the need for an accounts receivable clerk to handle check payments and direct debit would make payments easier for all customers, since many of our residents really don't want to have to think about paying their bills at all.

    b. **Check Scanner:** An additional service that we would like to request, in an effort to make the handling of customer payments easier, is a check scanning device, which will reduce the number of miles traveled to the bank in the course of each month.

Such a device would almost eliminate the need to travel to the bank, again reducing the expense of handling accounts receivable. (Please examine the attached proposal for both of the above services to be implemented for Aquarina Utilities, Inc.)

c. **Website:** Finally, a third service that we would like to offer for our customers is an informational website. Hosting for such a site, with no payment links imbedded, is roughly $50 per month and would allow our customers access to information about water conservation, current events at the utility, the Water Quality Report, and more. They could have access to an email link for questions and concerns and be connected directly to the Florida Department of Environmental Protection and the Florida Public Service Commission, making treatment of any of their questions and concerns much easier.

5. **Maintenance Space:** As discussed in the response to the Staff's Third Data Request, we have an overwhelming need for not only maintenance personnel, but also maintenance space. We have currently leased a 2,400 square foot garage space from Kevin and Holly Burge, located in Fellsmere, FL for under $1 per square foot. Staff has disputed the need for this space; however, when the staff engineers made their plant visit, they were kind to acknowledge that Aquarina Utilities has no maintenance space on site and needs the rented garage space. As temperatures in the two existing buildings at the Aquarina plant reach about 120°F during the period from April to December, and the temperature in and around the compound at the plant is similarly high, compounded by re-radiation of heat absorbed by the concrete tank walls, the working environment at the plant is taxing. In light of this, work in and around the plant proper is limited to only what is absolutely necessary during the summer months. In order to complete the myriad of tasks that need to be done: vehicle maintenance, pump repair, and so on are accomplished in the leased garage facility. Materials and equipment are stored in the leased garage facility to keep them from degrading in the sun and heat.

6. **New Reverse Osmosis Train:** Some years before Aquarina Utilities, Inc. took ownership of the water and sewer plant, the customers of the Aquarina community specifically demanded that a reverse osmosis system be installed in their water plant. They insisted that a higher quality of water be provided them in their barrier island homes. While we understand that it is fairly unusual to have a reverse-osmosis plant servicing such a small community, this is the standard that was instituted by our clientele. Having established the precedent of this standard, we must now maintain the water quality at this level. To do this, we must maintain a functioning reverse osmosis system. The current system, a ValueMax Single Pass Reverse Osmosis unit dated from 2004, is dated and difficult to service. Parts are difficult to find. We have requested quotes for service contracts on the system, but to date, none have been provided, even from the vendor who sold Aquarina the original system. As we are faced with the very real likelihood that the current plant will fail and leave us without the means to produce product water of acceptable quality, we respectfully request that we be provided with the funding to obtain a second reverse osmosis unit, to replace the existing dated unit. Quotes for this new, replacement unit are included in our response to the Staff's Second Data Request (Engineering). Replacing the existing unit with a unit covered by a service contract would eliminate concerns about water production for many years.

7. **New Irrigation Well:** The water facility at the Aquarina community was originally designed to have three wells. Three wells have been listed as part of the utility for many years; however, one of these "wells" is an abandoned, unpumpable well located under the parking lot of one of the condominiums we service. Aquarina Utilities has two potable pumping wells: one located on the golf course which currently serves the non-potable (irrigation and fire protection) system and one located inside the south fence of the utility compound which services the potable system. Recently, the well pump and casing of the well located on the golf course (well #1, or the north well) failed and left us without the ability to service the non-potable system. This compromised our ability to provide fire protection, and we had to notify our irrigation customers that they would be unable to water so that sufficient water could be preserved for fire protection. This situation persisted for a week. The golf course personnel were frustrated because they needed to fertilize and had no water to do so. Hundreds of thousands of dollars in landscaping was at risk. Homes and lives were at risk.

   We respectfully request the funds to install a third well. This third well will be dedicated to irrigation only, so that should one of the other wells need to be serviced, there will be no break in service. As our potable well (well #2, or the south well inside the utility compound) has no pumping equipment attached to it and feeds the reverse osmosis and potable system with artesian pressure only, it was unavailable to provide water for the non-potable system and is designated only for potable. Well #1, while it is designated a potable well, is plumbed to supply both the potable and the non-potable systems. The new well would be plumbed to the non-potable system only. With three wells, both systems would have a back-up well available.

8. **Separation of Services:** Aquarina Utilities seems to be fairly unique among water and wastewater facilities in that each of the three systems it services are completely independent and unconnected. This situation has proven challenging for our vendors, the DEP, the FPSC, FRWA, and other agencies to fathom. Constructed in completely separate systems, the non-potable and potable water systems are not in any way interconnected. While this seems reasonable in preventing cross-connection, it has become a bit of an issue in accounting as the NARUC accounting system does not have a unique set of accounts in its structure for non-potable water. Up to this point in time, it has been impossible to distinguish potable water expenses from non-potable water expenses. This is somewhat problematic for the following reasons:

   a. While the rates for the irrigation portion of the non-potable system are set by the FPSC, we are not specifically given a monthly meter or service availability fee for the irrigation system. This system has some 112 meters, 27 of which are 2" or larger, 37 fire hydrants (with empty stubs for more), and countless feet of line and valves that must be exercised and maintained, all with no service availability fee.

   b. While we have an obligation, as indicated by question 6 in the Staff's Second Data Request (Engineering), "What is the local government Fire Flow requirement for your water system?", to provide fire flow and maintain that system, off of which all the irrigation lines and fire hydrants feed, we are not given a rate in our tariff for fire

protection. This is ironically highlighted by the fact that we pay a fee in our property tax bill for fire protection for which we provide the water for free. There are no meters on the fire protection systems of any of the condominiums in our territory; water losses through those systems are undocumented and unpaid. For years, the Brevard County Fire Rescue personnel have helped themselves to water from our hydrants without a call or compensation.

c. The issues above become even more confusing if you consider the following: while our territory allows us to enforce a service availability fee from any customer within the territory connected to our system (or within access of it, regardless of whether he chooses to connect or not) for the water and sewer service, it is unclear whether this service territory description includes irrigation water. If a service availability fee is approved for each of the meters in the system, will we be able to force the irrigation customers to take our irrigation water and prevent them from installing their own irrigation wells within the confines of our territory? If not, and the service availability fee causes all of our irrigation customers to disconnect and install their own wells and pumping systems, what incentive do we have to provide fire protection with our non-potable system when we have no customers to help bear the expense of its maintenance and no fire protection fee or rate to offset the expense of maintaining lines, hydrants, and valves that provide the service?

   Further, should the status quo be maintained, and the expenses of the non-potable system continue to be lumped with the potable as "Water Expense" for the purpose of determining rate, how is it fair that the customers who do not use irrigation water bear the burden of those who do? Or is the existence of the irrigation portion of the non-potable system incidental to the fire-protection system which is the primary purpose of the non-potable system? Should this fire-protection portion of the potable water rate be designated as a separate fee so the customer understands this? We respectfully leave the determination of how best to proceed with the non-potable/ potable separation to the wisdom of the Commission. Should you decide that the systems would be best lumped together and left as a single potable rate with a minimal gallonage charge for irrigation, as these things currently stand in the tariff, please let us know if we should bother separating the non-potable expenses from the potable in the future, as this issue of separation has come up many times in discussions with staff and the Staff's Third Data Request (Finance).

d. To add to this discussion about the non-potable system, we would like to remind the staff that this utility has had a significant history of bad debt associated with the irrigation system, specifically with the golf course. When we purchased the utility in 2011, we were faced with the fact that the previous owners of the golf course had sold the property with an outstanding water debt of roughly $230,000. The Aquarina community masters association (Aquarina Community Services Association or ACSA) purchased the golf course and, at that time, had enlisted the services of RAM Golf, LLC. To operate and maintain it. RAM Golf incurred significant debt to the utility and, by way of a FPSC complaint that was unresolved, escaped without paying some $18,000 in water debt. Additionally, the court-appointed received, Mr. Dennis Basille, improperly "forgave" water debt owed by ACSA totaling some $30-$40,000. So,

overall, some $300,000 in revenue, which should have sustained the non-potable system was non collected or applied to the system. When we purchased the utility, two of the three non-potable pumps were unusable and had to be replaced. Water to support the fire protection and smaller irrigation systems was routed through an interconnection between the golf-course irrigation system and the fire-protection system and significant repairs had to be done to get the non-potable system functioning again.

9. **Contributions in Aid of Construction:** To reiterate what was addressed in the the Staff's Second Data Request (Engineering), Aquarina Utilities serves 6 mid-rise condominium buildings, 3 are 8-floor, 32 unit each buildings, 2 are 4-floor, approximately 24 unit buildings, and one is about 7 floors with perhaps 28 units. We have 21 sewer only residential customers and a multitude of general service customers. There are approximately 270 residential customers who occupy townhomes, duplexes, and single-family homes. As the major developer remaining in Aquarina seems to have been unable to reach an agreement with the Aquarina Community Services Association regarding amenities and other issues, we have been led to believe that the vast majority of the remaining residential areas may not be developed indefinitely. We have discussed this situation with Commission staff and have requested that the CIAC fees (service availability fees and connection fees) in the tariff be examined and increased to allow recovery of the customer portion of our construction costs (CIAC) in lieu of this developmental stalemate in the few new homes that are being added to the community. Also, we would appreciate consideration of the current condition of the plant, in part due to the inability of previous owners to collect CIAC, and the fact that the service availability fees, not reviewed since the last rate case in 2003, have not been adjusted for current costs of maintaining the plant in today's economy.

10. **System Mapping:** As addressed in other correspondence, Aquarina Utilities, Inc. does not have a complete set of system plans. Plans and diagrams are needed delineating each of the three systems, potable, non-potable, and sewer, including all associated lines, valves, blow-offs, and connections. We need to know how many feet of pipe we have in the ground, as well as all of the additional appurtenances, for budgeting and maintenance. We need comprehensive plans to be able to respond to 811 Florida One-Call and No-Cuts. We need comprehensive plans to be able to communicate with customers and engineers about any type of underground work. Funding for this mapping is absolutely critical.

11. **Other Pro-forma Items:** Please let us know if you have any further questions about the justification for our requests for the other pro-forma items listed for the Engineering Data Requests.

12. **Miscellaneous Service Charges:** We respectfully request that the staff consider our need for the following additional Miscellaneous Service Fees:

    a. **Returned Check Fee-** over the past few years we have had several checks returned for non-sufficient funds. We request an NSF or returned check fee equal to that of the average business or credit card- $30.00. The bank charges us $10.00 for the returned check; plus time must be spent in contacting the customer or drafting a letter, returning

the check. Additionally, time must be spent correcting accounting entries due to the returned check, and waiting for a new check to arrive.

b. **Meter Lock-Off Charge**- Regardless of the up-scale nature of our service community, we still see a fair amount of water theft and accidental water losses due to running toilets and damaged water heaters, etc. As the majority of our customers are seasonal, we encourage them to have their meters locked off when they are away and turned on when they return. This gives them peace of mind and prevents unwanted large water usages in their absence. As some customers have experienced extremely large water losses in their absence (some greater than $800.00 worth of water) we feel this is a legitimate service to offer but would like to request compensation for the time it takes to lock off and reopen a meter. While we realize we do have a disconnect and reconnect fee in our tariff, we would like a special designation that is more customer friendly, e.g. Seasonal Security Fee or Meter Lock-Off Service, as some customers are a bit sensitive about having it seem like their water was disconnected for non-payment. We think $25 is reasonable for this service, at it incorporates the site visit and reconnect fees already authorized.

c. **Meter Box Maintenance Fee**- As discussed above, we would like to charge a $25.00 meter maintenance fee for any customer who refused to properly maintain their meter box and its surrounding area with the safety of our meter reader and access to our equipment in mind. This seems adequate for the time spent in clearing and maintaining the meter and its box.

Please let us know if you have any additional questions.

Sincerely,

Holly B Burge

Holly Burge
Account Manager; Aquarina Utilities, Inc.

Pro-forma Account Analysis Statement

Aquarina Utilities

Date Range: June 2015
Account Officer: Nicole Irby
TM Consultant: Lawrence Brock

BUSINESS VALUE 500 CHECKING

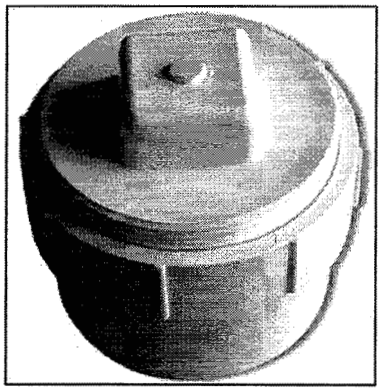
BALANCE SUMMARY

AVERAGE LEDGER BALANCE		AVERAGE COLLECTED BALANCE	
LESS: AVERAGE FLOAT		ADD: AVERAGE UNCOLLECTED BALANCE	
AVERAGE COLLECTED BALANCE		AVERAGE POSITIVE COLLECTED BALANCE	
		LESS: REQUIRED RESERVES 10.00%	
AVERAGE UNCOLLECTED BALANCE		**AVERAGE POSITIVE AVAILABLE BALANCE**	

BBT	BANK SERVICES		UNITS	RATE	AMOUNT	BALANCE REQD
	GENERAL BANKING SERVICES					
21	MAINTENANCE FEE		1	$0.00	$0.00	
100	CREDITS POSTED		21	$0.00	$0.00	
119	REMOTE DEPOSIT ITEMS-IN STATE		400	$0.00	$0.00	
128	CHECKS PAID AND OTHER DEBITS		10	$0.00	$0.00	
140	COMBINED ITEM TRANSACTIONS		440	$0.00	$0.00	
140	COMBINED ITEM TRANSACTIONS		0	$0.50	$0.00	
					$0.00	
	SPECIAL COLLECTION SERVICES					
	ONSITE DEPOSIT PACKAGE					
485	ONSITE DEPOSIT-PACKAGE SET-UP	(Setup)	1	$50.00		
480	ONSITE DEPOSIT-PACKAGE MONTHLY		1	$119.95	$119.95	
481	ONSITE DEPOSIT-PACKAGE ITEMS		400	$0.00	$0.00	
					$119.95	
	ACH SERVICES					
	RECEIVED					
105A	ACH RECEIVED CREDIT <100		4	$0.00	$0.00	
134A	ACH RECEIVED DEBIT <100		5	$0.00	$0.00	
	INITIATION					
3315	CMOL ACH ITEM (Option A)		40	$1.75	$70.00	
					$70.00	
	INFORMATION SERVICES					
	CASHMANAGER ONLINE					
3530	CMOL CLIENT ID		1	$10.00	$10.00	
					$10.00	
	TOTAL SERVICES				**$199.95**	**$0**

Did you know?

Did you know that a little maintenance on the part of our customers helps us save you money?



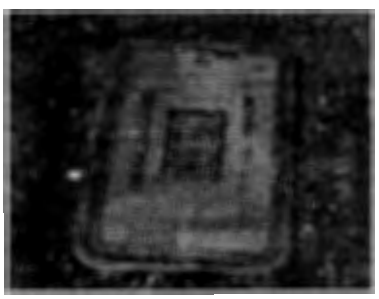
Your sewer clean-out:

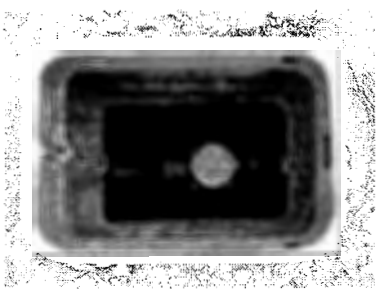
For most of the residents of Aquarina and the neighborhoods we service, this very important access to your sewer line is located in the front yard somewhere. This access is critical to clearing any blockages in your sewer lateral!!

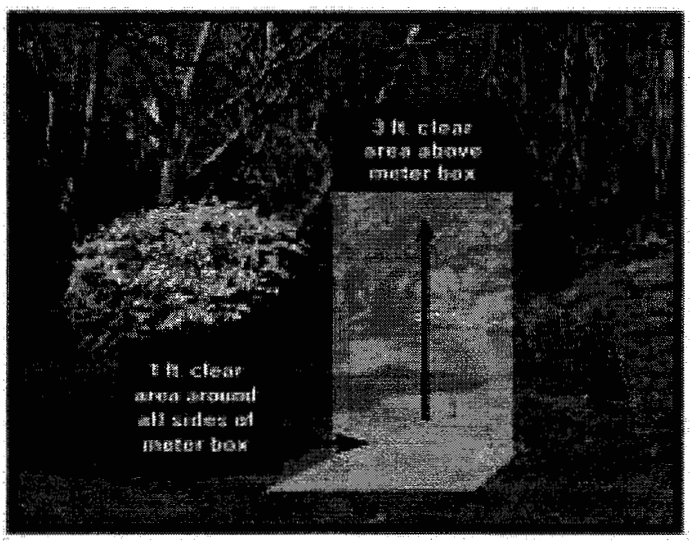
Some tips for keeping your sewer line in good condition:

- **Locate your clean out and be sure it is in good condition.**
  Broken clean-outs and caps allow surface water, dirt and debris into the sewer system, increasing your rates through increased treatment costs and expensive equipment repairs. It is important to keep the system intact and free from unwanted infiltration for maximum efficiency in treatment. Keeping this access in good repair helps save you money!
- **Keep the area of your sewer (and water!!) lines free from threatening plants such as trees and shrubs.**
  The entire length of both sewer and water lines should be completely clear of trees and shrubs. These plants generate strong root systems which easily crush, crack and damage your lines. The utility's responsibility for repairs ends at the meter box for water and at the main for sewer, so the burden of paying a plumber for other repairs falls to the homeowner. Homeowners and associations can also be held responsible for plantings that damage utility property, so be careful what you plant and where! Removing plants that might damage your water and sewer lines will surely save you money!

Meter Boxes and Meters:







Did you know that the homeowner is responsible for keeping the area in and around his/her meter box clear of plants and debris?

- The area at least three feet above and one foot on each side, all around the meter box should be cleared of plantings. This provides access to read the meter and service it if necessary. Meters with restricted access can be denied service or have their reads estimated until proper access is restored.
- Keep the interior of the meter box clear of debris and dirt. The meter should be fully exposed and accessible, with dirt completely cleared away from the sides and bottom. You should be able to pass a hand easily under both the water line and the meter. Again, uncleared meters can be denied service or have their reads estimated until proper access is restored.
- The top of the meter box should be easily and completely visible to a reader. It is a good idea to have your landscape personnel trim around the lids to keep them fully exposed and discourage them from running over the lids with mowers, as damage to the boxes can be billed to the homeowner.