

Ashley Quick

From: Angela Charles on behalf of Records Clerk
Sent: Friday, March 18, 2016 3:20 PM
To: 'Christopher Madsen'
Cc: Clayton Lewis; Robert Graves; Sonica Bruce; Shannon Hudson
Subject: RE: Water Rate Increase Meeting
Attachments: 2016 Rate Increase PSC Comments-Final.pdf

Good afternoon Mr. Madsen,

We will be placing your comments below in consumer correspondence in Docket No. 150010-WS and forwarding your comments to the Office of Consumer Assistance and Outreach.

Sincerely,

Angela M. Charles
Commission Deputy Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0850
850-413-6826

From: Christopher Madsen [mailto:aquarinanews@cfl.rr.com]
Sent: Friday, March 18, 2016 12:37 PM
To: Clayton Lewis; Robert Graves; Sonica Bruce; Shannon Hudson
Cc: Records Clerk
Subject: RE: Water Rate Increase Meeting

As promised attached is a letter from the Aquarina community and more specifically from the ACSA BOD president Grant Leslie in response to the customer meeting that was held here at Aquarina. Many questions are raised in this letter that the community would like answered as soon as possible and well before a final decision is made by the PSC (as is mentioned at the end of the document).

I would just like to note that those who were present at the resident meeting are just a small portion of the residents with grievances against the water utility company "Aquarina Utilities", the idea was to allow facts to be presented at that meeting, not opinion or emotion and that those who did speak were speaking on behalf of many with similar issues. The community hopes that the complaints made are investigated in great detail.

It was brought to my attention during a conversation after the meeting with the moderator that 'the Burges' who own the Aquarina Water Utility felt in necessary to share past historical events between the community and the water company with the moderator of that meeting (and undoubtedly other members of the PSC), based on my conversation it seems to me this is a tactic to disregard the grievances of the residence as 'disgruntled or bitter people' looking for revenge for what transpired during the purchase of the water utility, this is completely and utterly a lie and false assumption to be made. The residents here, in many specific cases like those raised at the meeting, legitimately have been the victims of incompetence and gross negligence on the part of the water utility.

I would urge the PSC to truly look at this case objectively and seek out the truth of what is and has been transpiring in Aquarina with this water utility in regards to the complaints, involve other government bodies in these discussions like the DEP, like in cases where boil water notices were never made and other areas of health concern and negligence. I would ask that you please fact check the information the utility owners have provided you in the greatest detail possible to avoid any dire consequences like those raised in the attached letter and seen in areas of the country where negligent water utility activities have had devastating consequences.

Thank you for your time and attention to this case,

Chris Madsen, Community Association Manager
Aquarina Community Services Association
450 Aquarina Blvd | Melbourne Beach, FL 32951
Office 321.952.6919 | Fax 321.952.2101
www.fsresidential.com
www.aquarinabeachandcountryclub.com



From: Clayton Lewis [<mailto:CLewis@PSC.STATE.FL.US>]
Sent: Thursday, March 17, 2016 4:23 PM
To: 'Christopher Madsen'
Cc: Robert Graves; Shannon Hudson; Sonica Bruce
Subject: RE: Water Rate Increase Meeting

In its 2003 Annual report filed with the Commission, Service Management Systems indicates the number of potable water customers as 219. There were 64 irrigation customers.

The 288 potable water customers was obtained from the audit of the utility records for 2014.

From: Christopher Madsen [<mailto:aquarinanews@cfl.rr.com>]
Sent: Thursday, March 17, 2016 2:45 PM
To: Clayton Lewis
Cc: Robert Graves
Subject: RE: Water Rate Increase Meeting

This still does not explain why the study done in 2003 had the same number of customers listed. I do not believe this is an accurate number, can you confirm that 288 customers is a correct number and explain why? We have had many homes built since 2003 and even multiple condo mid rises.

Chris Madsen, Community Association Manager
Aquarina Community Services Association

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From: Clayton Lewis [<mailto:CLewis@PSC.STATE.FL.US>]

Sent: Thursday, March 17, 2016 10:48 AM

To: 'Christopher Madsen'

Cc: Robert Graves

Subject: RE: Water Rate Increase Meeting

The Ocean Dunes Condos are master metered. One 2" potable meter for each of the buildings, one 2" potable meter for the pool, and one 3" irrigation meter. A total of seven master meters serve the condos.

From: Christopher Madsen [<mailto:aquarinanews@cfl.rr.com>]

Sent: Monday, March 14, 2016 8:59 AM

To: Robert Graves

Cc: Clayton Lewis

Subject: RE: Water Rate Increase Meeting

Why do they have only 288 customers listed, we have 376 fee paying residents in Aquarina alone, and we know that Aquarina Utilities also has customers in Sunny Land and St. Andrews. Not to mention the Lakeside community pool, country club (which includes a golf course and tennis courts), our community center, administrative building and Aquarina common ground irrigation.

Please provide the source of the 376 fee paying residents. Does this number include residents of the high-rise condos?

Yes it includes the high-rise condos, the source is First Service Residential database of those who pay ACSA HOA fees which must remain accurate.

Chris Madsen, Community Association Manager

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From: Robert Graves [<mailto:RGRAVES@PSC.STATE.FL.US>]
Sent: Wednesday, March 09, 2016 12:40 PM
To: 'aquarinanews@cfl.rr.com'
Cc: Clayton Lewis
Subject: RE: Water Rate Increase Meeting

Good Afternoon Mr. Madsen, I am sending you responses to your previously asked questions. The responses were prepared by Mr. Lewis. He is out today so I am sending you what he prepared. If you have any questions please let me know. Mr. Lewis should be back in the office tomorrow.

What is Phase I versus Phase II?

Phase I rates are based on a utility being given the opportunity to recover prudently incurred expenses and to earn a fair rate of return on its investment.

Phase II rates are based on a utility completing replacement and improvement projects.

What is this 4 year rate reduction??

Florida Statutes (referenced below) require rates to be reduced after costs associated with the rate case have been amortized.

367.0816 Recovery of rate case expenses.—The amount of rate case expense determined by the commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of 4 years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

Why does Aquarina Utilities charge over \$40 per month even when residents have their water turned off? Also, why do residents see very light water usage bills of around \$70 per month, does Aquarina Utilities start residents at zero when they have their water turned ON or do they start at \$40 regardless?

The base facility charge is a flat charge that allows a utility to recover fixed costs of utility service. The base facility charge remains the same each month regardless of consumption. The gallonage charge allows a utility to recover variable costs such as electricity, chemicals, and labor.

Why do they have only 288 customers listed, we have 376 fee paying residents in Aquarina alone, and we know that Aquarina Utilities also has customers in Sunny Land and St. Andrews. Not to mention the

Lakeside community pool, country club (which includes a golf course and tennis courts), our community center, administrative building and Aquarina common ground irrigation.

Please provide the source of the 376 fee paying residents. Does this number include residents of the high-rise condos?

Respectfully,
Robert Graves

From: Christopher Madsen [<mailto:aquarinanews@cfl.rr.com>]
Sent: Monday, March 07, 2016 6:37 PM
To: Clayton Lewis
Cc: 'Grant Leslie'
Subject: Water Rate Increase Meeting

So I have had a number of questions arise about this water increase meeting. I have attached some math from a resident, could you verify the validity of the numbers?

What is Phase I versus Phase II?

What is this 4 year rate reduction??

Why do they have only 288 customers listed, we have 376 fee paying residents in Aquarina alone, and we know that Aquarina Utilities also has customers in Sunny Land and St. Andrews. Not to mention the Lakeside community pool, country club (which includes a golf course and tennis courts), our community center, administrative building and Aquarina common ground irrigation.

Why does Aquarina Utilities charge over \$40 per month even when residents have their water turned off? Also, why do residents see very light water usage bills of around \$70 per month, does Aquarina Utilities start residents at zero when they have their water turned ON or do they start at \$40 regardless?

I have CC'd the ACSA board president on this email, please reply to all with a response.

Thank you Mr. Lewis,

Chris Madsen, Community Association Manager
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March 16th, 2016
450 Aquarina Blvd
Melbourne Beach,
FL 32951

Director, Office of the Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re:PSC Docket No. 150010-WS
Aquarina Utilities Rate Increase
Comments and Questions by ACSA homeowners

Dear Commission Members and Staff:

A condensed version of the comments and questions below was presented at the PSC's Customer Meeting on February 25, 2016. This letter is our formal response to the Commission's request for customer comments.

In the Notice Section Entitled "Background"

1. Reference is made to the last rate case established in 2003. This approximately 90-page document was extremely thorough in its detailed development of its recommended rates. Our expectation is that the Commission Staff's planned review will be equally detailed. (Mr. Adam Hill, the PSC moderator of the meeting assured us that the new rate case review will be equally detailed).

2. The first paragraph refers to a customer base of 288 water and wastewater customers in Brevard County. This is the total used in the 2003 rate case. It is not the current total because many customers have been added since 2003. Aquarina is now a community of 376 units with another 17 under construction. The units that have been added or that are under construction since 2003 are;

Ocean Dunes 1—28 residences
Ocean Dunes 2---28 residences
Ocean Dunes 3---28 residences
Hawks Nest --- 6 residences
Maritime Hammocks-19 residences
Mantanilla Reef 15 under construction
Whaler Drive 2 under construction

We have also added a Community Center with its own rest room and shower facilities as well as a 44 seat restaurant (Brassie Grille). A beach club with toilet and shower facilities is under construction on Route A1A and is scheduled to open by May 2016.

In addition to the units in Aquarina the water and wastewater utility services 46 homes in the neighboring community of St. Andrews and 20 homes in the neighboring community of Sunnyland.

What is the number of residences and other connections that the Commission staff has used in its development of the proposed water and wastewater rates?

3. Using the single 2014 results as the basis for assessing a rate increase does not make allowance for the recent and continuing growth in the number of homes and amenities in Aquarina. We believe a 3-year period is more appropriate. (Mr. Hill said that a 3-year period will be examined).

4. There is no mention of income and expense for non-potable water operations.

In the Notice the year 2014 was used as the base year for assessing the application for a rate increase. However, 2014 was a year of much rainfall that reduced the reliance of the Aquarina golf course, the Association, and its sub communities on irrigation water from the utility. If reduced revenues due to weather patterns in one year contributed to a loss would it not be more equitable to base the assessment of the irrigation rate increase on the last 3 or 4 years of information rather than just the 2014 year?

Review of Aquarina Utilities 2104 Annual Report.

A review of the this report raised the following questions:

- The subsidiary Aquarina Water Works was paid \$187,000. What was the profit of this subsidiary and what was paid out in returns to the owners who appear to be the Burges. Should not these returns constitute part of the return on investment to the owners of Aquarina Utilities who are the same owners as those of Aquarina Water Works?
- Do the reported revenues include the revenues from outside the Aquarina community?
- Long term debt is recorded as \$860,000. Various members of the Burge family either directly or through their subsidiaries have advanced \$425,000 (49.4%) of that debt. It appears that the interest paid to the Burges on this debt was \$20,068. Should not this interest return be considered to be part of the return to the Burges on their investment in the Utility Plant?
- \$15,000 in payroll taxes are recorded but there is no indication of to whom salaries were paid. If the Burges drew salaries should not these salaries be included in the calculation of their return on investment?
- \$56,000 is recorded as “taxes other than income tax”. This amount is far above the normal property tax rate. What was this tax payment for?
- Potable water operations and associated losses are documented separately from the wastewater operations but non-potable water operations and profits or losses are not presented. What was the net total return on the combined 3 operations in 2014?
- The financial report contains a number of entries that raise questions but PSC staff seem to have accepted the financial statements without question. As part of their due diligence will Commission staff be verifying the entries which raises questions...up to

or including a line item audit of the income and expenses detailed in the 2014 Annual Report? (Mr. Hill said that a detailed audit of line item entries would be conducted by the Commission Staff.

- The financial statements show the value of the utility at some \$4 million but it is unclear as to the basis of that evaluation and no depreciation schedule is recorded. It appears that the Burges paid something between \$500,000 and \$600,000 for the utility.
- Should not the return on investment be based on the actual capital investment by the Burges as opposed to a book entry number that appears to be the cost of the utility when it was built over 30 years ago?
- Who are the shareholders of Gold Coast and what revenues if any do they derive from Aquarina Utilities?
- Corporate Tax returns would make possible an assessment of the true returns to the Burges in regards to their investment in Aquarina Utilities.

In the Notice Section Entitled “Current and Preliminary Rates and Charges”

1. There is no description given of what “Phase 1” or “Phase II” means. Nor is “4-year Rate Reduction” explained. (Mr. Hill explained these to the meeting attendees.).
2. What does the Commission project as the annual revenue and profit for water and waste water if its preliminary rates are adopted based on the number of residences existing and under construction?
3. For water service (see our Exhibit A) the proposed Base Facility Charge is an increase of 42.5% in Phase I and 49.7% in Phase 2. In addition, the proposed increase in the charge per 1000 gallons ranges from 66.4% to 95.7% in Phase I to 74.8% and 105.5% in Phase II. Similarly the projected monthly user cost increases range from 55.0% to 73.9% in Phase I to 62.8% to 82.6% in Phase II. In addition it is proposed to raise the irrigation charge per 1000 gallons by 42.3% in Phase I to 47.4% in Phase II.
4. For wastewater service (see our Exhibit B) the proposed residential Base Facility Charge is an increase of 12.1% in Phase I and 15.5% in Phase 2. In addition, the proposed increase in the charge per 1000 gallons ranges from 45.3% in Phase I to 49.7% in Phase II. Similarly the projected monthly user costs range from 22.0% to 30.9% in Phase I to 25.8% to 34.8% in Phase II. The Utility made a profit on wastewater service. In view of that why is such a large rate increase necessary?

We highly question the need for such astronomic increases in all 3 rate categories. These will have a major negative impact on our retired residents who live on fixed incomes. The proposed irrigation rate increase will have a dire impact on the financial status of our golf course.

5. If the concerns raised by customers of Aquarina Utilities are not reflected in the final rate increase imposed is there an appeal process that customers can follow? (Mr. Hill described the 21-day protest period for consumers after the Commission issues its proposed rates).

Complaints

The Burges claim no complaints have been logged or recorded over the past 3 years however numerous complaints have been made by homeowners and our 19 subsidiary homeowners associations.

Examples of the many complaints that have been lodged with the Burges (Aquarina Utilities) are;

- Extremely low water pressure over a period of months or in one case a year.
- No notification of service interruption leading to damaged pumps in buildings with supplementary pumps.
- No notice of repairs to mains and no notice to boil following the repair.
- Sink traps, hot water heaters and other equipment clogged with sand and debris following repairs that homeowners were not notified of.
- Discolored and sometimes black water flow from potable water faucets
- Non-availability of irrigation water to the golf course at critical times.
- Non-availability of water for sub community irrigation.
- Unusual build up of debris in homeowner water filtration units.
- Insufficient supply of fire suppression water and no notification to homeowners or the local fire station.
- Over billing of homeowners, multi resident buildings and the golf course because of faulty or misread meters. These types of complaints in particular are typically never addressed in a meaningful way.
- Irrigation sprinkler heads fouled by shell debris.
- Tardy response to urgent water quality and repair issues.
- Failure to restore properties to their original condition following repairs to water and sewer lines.

We look forward to receiving responses to the above as well as the issuance of the Staff's recommendations to the Commissioners.

Very truly yours,

Grant Leslie
President
Aquarina Community Services Association

EXHIBIT A

Docket No. 150010-WS Aquarina Utilities, Inc.
Customer Meeting Notice

<u>Water</u>		STAFF RECOMMENDED <u>PHASE I</u> RATES	STAFF RECOMMENDED <u>PHASE II</u> RATES	VS. CURRENT
Residential and General Service				
Base Facility Charge by Meter Size				
5/8" x 3/4"		\$27.32 + 42.5%	\$28.69	+ 49.7%
3/4"		\$40.98 + 42.5	\$43.04	+ 49.8
1"		\$68.30 + 42.5	\$71.73	+ 49.7
1-1/2"		\$136.60 + 42.6	\$143.45	+ 49.8
2"		\$218.56 + 42.6	\$229.52	+ 49.7
3"		\$437.12 + 42.6	\$459.04	+ 49.7
4"		\$683.00 + 42.6	\$717.25	+ 49.8
6"		\$1,366.00 + 42.6	\$1,434.50	+ 49.7
Charge per 1,000 gallons – Residential Service				
0-3,000 gallons		\$11.57 + 66.4%	\$12.15	+ 74.8%
Over 3,000 gallons		\$13.60 + 95.7%	\$14.28	+ 105.5
Charge per 1,000 gallons – General Service				
		\$11.94 + 71.8%	\$12.54	+ 80.4
Irrigation Service				
Charge per 1,000 gallons		\$1.11 + 42.3%	\$1.15	+ 47.4
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
3,000 Gallons		\$62.03 + 55.0%	\$65.14	+ 62.8
6,000 Gallons		\$102.83 + 69.0%	\$107.98	+ 77.9
8,000 Gallons		\$130.03 + 73.9%	\$136.54	+ 82.6

EXHIBIT B

Docket No. 150010-WS Aquarina Utilities, Inc.
Customer Meeting Notice

<u>Wastewater</u>		STAFF RECOMMENDED <u>PHASE I</u> RATES	STAFF RECOMMENDED <u>PHASE II</u> RATES	VS. CURRENT
Residential				
Base Facility Charge - All Meter Sizes	\$24.80	+12.1%	\$25.54	+15.4%
Charge Per 1,000 gallons 6,000 gallon cap	\$6.96	+45.3%	\$7.17	+49.7
Flat Rate Service	\$39.83	+14.8%	\$41.02	+18.2
General Service				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$24.80	+12.1%	\$25.54	+15.4%
3/4"	\$37.20	+12.2%	\$38.31	+15.5
1"	\$62.00	+12.2%	\$63.85	+15.5
1-1/2"	\$124.00	+12.2%	\$127.70	+15.5
2"	\$198.40	+12.2%	\$204.32	+15.5
3"	\$396.80	+12.2%	\$408.64	+14.4
4"	\$620.00	+12.2%	\$638.50	+15.5
6"	\$1,240.00	+12.2%	\$1,277.00	+15.5
Charge per 1,000 gallons	\$8.36	+45.1%	\$8.61	+49.5%
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
2,000 Gallons	\$38.72	+22.0%	\$39.88	+25.8%
6,000 Gallons	\$66.56	+30.9%	\$68.56	+34.8
8,000 Gallons	\$66.56	+10.1%	\$68.56	+13.4