

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: April 26, 2017

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Margo DuVal, Attorney, Office of General Counsel

RE: Docket No. 160065-WU - Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

Please place the attached letter from Patty Christensen, on behalf of Office of Public Counsel, in the above-referenced docket file.

MAD/as

From: [Margo Duval](#)
To: [Ashley Soete](#)
Cc: [Adam Hill](#)
Subject: FW: Bocilla Utilities, DN 160065-WU
Date: Wednesday, April 26, 2017 11:48:59 AM
Attachments: [OPC additional comments to Staff recommendation \(003\).docx](#)

Hey Ashley,

Can you please have this filed in the docket file for Docket No. 160065-WU?

Thanks!

Margo

From: Christensen, Patty [mailto:CHRISTENSEN.PATTY@leg.state.fl.us]
Sent: Friday, February 10, 2017 10:55 AM
To: Margo Leathers; Martin S. Friedman; Adam Hill; Amber Norris
Cc: Linda C; Merchant, Tricia
Subject: Bocilla Utilities, DN 160065-WU

Attached is letter addressing the concerns we raised at the informal meeting on Wednesday, February 8, 2017. If you have any questions regarding any of these issues, please contact myself or Tricia Merchant.

1. Allocation Factor for Operator Time and Expenses.

OPC believes that the allocation factor for BUI and KIU should be based on water flows not total ERCs. The BUI system is currently 56% of its capacity of lines based on active ERCs compared to total available ERCs. (398 out of 715 available lots). The operation of the water plant is directly related to the amount of water that flows through the system, not on how big the system is since all water is purchased from the Englewood Water District. As such, OPC believes that the operator salaries, benefits and common expenses used by the operator should be allocated based on water treated not total ERCs. This would include a higher allocation to the common plant accounts, the golf cart if allowed, workers compensation, the pro forma chloramine testing and chemicals, purchased power, barge transportation for the operator and engineering services performed at or near the EWD interconnect. Further, as reflected in the staff audit’s workpapers spreadsheet titled: (B 16-187-2-1 WP 43 O&M.xls, tab title 603), a breakdown of the BUI/KIU purchased water amounts are shown below, which reflects a total 2015 split of 60/40 for BUI to KIU.

Date	Total Bill	BUI	KIU	% to BUI	% to KIU
610 · Purchased Water					
1/29/15	\$12,867.88	\$7,420.35	\$5,447.53	58%	42%
2/27/15	\$11,137.51	\$5,899.36	\$5,238.15	53%	47%
3/31/15	\$13,723.58	\$6,959.75	\$6,763.83	51%	49%
4/29/15	\$14,783.78	\$8,376.84	\$6,406.94	57%	43%
5/28/15	\$13,919.22	\$8,854.74	\$5,064.48	64%	36%
6/26/15	\$11,029.42	\$6,323.79	\$4,705.63	57%	43%
7/29/15	\$14,429.72	\$8,252.72	\$6,177.00	57%	43%
8/27/15	\$12,648.55	\$7,833.11	\$4,815.44	62%	38%
9/25/15	\$12,897.35	\$8,441.98	\$4,455.37	65%	35%
10/28/15	\$12,526.25	\$8,168.21	\$4,358.04	65%	35%
11/25/15	\$13,280.37	\$8,458.64	\$4,821.73	64%	36%
12/31/15	<u>\$11,469.69</u>	<u>\$7,370.97</u>	<u>\$4,098.72</u>	<u>64%</u>	<u>36%</u>
Total	\$154,713.32	\$92,360.46	\$62,352.86	60%	40%

2. Officer Salaries & Wages

On page 21 of the Staff PAA recommendation it states that “According to the Utility, 20 to 30 percent of the officer's time is spent on field related work and 70 to 80 percent of time is associated with administrative office duties.” In the same paragraph, it states: “Further, staff believes the additional hours recommended above for the administrative employee, totaling \$8,000, will offset some of the duties and responsibilities of the officer.” Staff recommended in Issues 12 and 13, to allow recovery for a part-time office worker working at 16 hours per week to perform administrative duties. Based on the inclusion of the additional 8 hours per week for

the part-time administrative employee, staff reduced the officer's salary by the \$8,000 for the administrative employee.

OPC believes that the officer's claim that he works 40 per week on the utility is inflated and there is likely an additional overlap in administrative and field work. Further, OPC questions the utility's claim in its MRFs that the work load will remain increased due to the chloramine issue, and believes that the officer's workload will stabilize once the new chloramine treatment is implemented. Moreover, other than uncorroborated statements and estimates made, the Utility has not provided any credible documentation that the officer actually spends 90% of a full time employee's annual hours running the utility as opposed to other non-utility related activities. Since it is the utility's burden to prove that its costs are reasonable and supported, OPC recommends that his salary should be reduced additionally by at least 4 hours per week. Thus, four hours times 52 weeks = 208 * \$47/hour and results in an additional reduction of \$9,776.

3. Distribution System Used & Useful Calculation

Issue 6, page 12, of the original staff PAA recommendation states: "There are no large undeveloped parcels in Bocilla's territory; however, there are undeveloped lots interspersed throughout the distribution system. All lines are required to serve existing customers, and no portions of the distribution system could be isolated as not U&U; therefore, distribution system should be considered 100 percent U&U."

While there is no Commission rule on used and useful for distribution plant, the Commission has developed through Commission order its practice on how to calculate used and useful for distribution plant. OPC does not believe that the Commission's practice has been followed in this case for determining the non-used and useful amount for the distribution system. The Commission does have a recent order that addresses the used and useful topic for distribution systems. Pursuant to Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS¹, starting at page 74:

We do not have a rule that specifies how the U&U determination for water distribution systems is to be made. Our practice has been to compare the customers (or ERCs) receiving service to the lots with service available. In addition, a growth allowance may also be included in the U&U calculation, pursuant to Section 367.081(2), F.S.

And at page 77, the Commission further elaborated on its policy:

As previously discussed, it is our policy to rely on our prior decisions when there has been no change in the operating capacity of the system since the last rate case. In AUF's 2008 rate case, we found that a system fully developed as planned, without potential for expansion, with minimal or no growth, few vacant lots, and small distribution lines shall be considered to be 100 percent U&U. We further

¹ In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

concluded that distribution systems that had a growth factor of 1.05 or less were considered to be 100 percent U&U.

It is OPC's understanding that this utility has not had a rate case before the PSC or Charlotte County. OPC also acknowledges that AFPI charges were approved by Charlotte County starting in 1992, with the presumption (without OPC having any means of verifying this) that original rates set by the County were set using some form of a non-used and useful adjustment. Clearly there is no policy from any rate regulatory agency that has been provided to date to show that the distribution system was previously considered 100% used and useful. Based on the 2015 customer count and available lots and the fact that the whole system is residential with no general service customers, OPC believes it is appropriate to consider that the distribution system is 56% used and useful (398 out of 715 available lots), to which a reasonable growth allowance should be applied.

4. New Truck

OPC also questions the reasonableness of leasing a brand new truck to operate on a barrier island. We believe that it is more prudent and economical for a utility to purchase a quality used truck for its use instead of a brand new truck.