

**Brandy Butler**

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**From:** Office of Commissioner Brown  
**Sent:** Monday, December 11, 2017 4:05 PM  
**To:** Commissioner Correspondence  
**Subject:** FW: Complaint against Florida Public Service Commission  
**Attachments:** Pages 204-207 of PSC-2017-0361-FOF-WS.PDF; UIF-Calculation of Uniform Wastewater Flat Rate for all UIF Customers.em....docx

Good Afternoon,

Please place the following email and attachments in Docket Correspondence, Consumers and their Representatives, in Docket No. 20160101-WS.

Thank you!

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**From:** Mary Anne Helton  
**Sent:** Friday, December 08, 2017 5:06 PM  
**To:** 'xcreek@comcast.net'  
**Cc:** Office of Commissioner Brown; Office Of Commissioner Graham; Office of Commissioner Brisé; Office of Commissioner Polmann; Office Of Commissioner Clark; Keith Hetrick; 'Rick.scott@eog.myflorida.com'; Carlotta Stauffer  
**Subject:** RE: Complaint against Florida Public Service Commission

Dear Mr. Maranto,

Please see the response below to you from the Florida Public Service Commission's General Counsel, Keith Hetrick.

Sincerely,

Mary Anne Helton  
Deputy General Counsel  
Florida Public Service Commission  
[mhelton@psc.state.fl.us](mailto:mhelton@psc.state.fl.us)  
850.413.6096

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Dear Mr. Maranto,

I am writing in response to the e-mail you submitted on December 7, 2017, to the Offices of Commissioners Brown, Graham, Brisé, Polmann, and Clark, in which you ask for a justification of the wastewater rates which were approved with respect to your community by Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.

As part of its mandate to set rates that are fair, compensatory, and in the public interest, the Commission held eight customer service hearings throughout UIF's service territory, with a ninth in Tallahassee prior to the technical hearing. At the technical hearing, witnesses for the utility as well as parties such as the Office of Public Counsel presented evidence regarding the rates to be approved by the Commission. The Final Order sets out the Commission's factual findings and legal conclusions based on the Commission's review of the public comments, the evidence presented at the public hearing held on May 8-10, 2017, and the parties' legal briefs. The Commission's rationale for continuing a flat rate for the Cross Creek wastewater customers, using an average demand of 5,000 gallons, is discussed at pages 204-207 of the Order (see pages 204-207 attached for your convenience; the Order may be reviewed in full at <http://www.floridapsc.com/library/filings/2017/07894-2017/07894-2017.pdf>). While the Order speaks for itself, also attached is information that may help further address your question concerning the calculation.

On September 27, 2017, you made a public records request with the Commission, requesting "[a]ny and all documentation and/or information relating to the staff sources of data, surveys undertaken, studies conducted, formula used, etc. which allowed the conclusion that 5,000 gallons per month was a reasonable assumption for our community (Cross Creek)." Your request was promptly acknowledged and you were provided with an estimated response date of October 11, 2017. However, responsive records were provided to you two days after your request, on September 29, 2017. These records consisted of the evidence utilized by staff to derive UIF's residential wastewater flat rate. In addition, the Commission Clerk's response provided the pages of the post-hearing recommendation and order where the issue was addressed. The items previously provided include:

- E2-E3, F2-F6 of UIF's MFRs Volume I for the following systems: Eagle Ridge, Tierra Verde, Mid County, UIF-Pasco Orangewood, Longwood, Lake Placid, and Sanlando
- EXH 29 (UIF Witness Guastella's Direct Testimony- Sewer Rate Design)
- EXH 143 BSP 134-35 (UIF's Response to Staff's 1st ROGs (Nos. 75, 76))
- EXH 150 BSP 179 (UIF's Response to Staff's 5th ROGs (Nos. 142, 143))
- EXH 157 BSP 217 (UIF's Response to Staff's 8th ROGs (Nos. 185, 186))
- EXH 168 BSP 286-87 (UIF's Response to Staff's 14th ROGs (Nos. 265, 266))
- TR 980 & 992 (Staff Witness Daniel's Direct Testimony)
- Issue 65 of Staff's Recommendation (pages 272-276)
- Order No. PSC-2017-0361-FOF-WS (pages 203-206)

Finally, I note that the Commission Clerk's response to the records request was made via email and included access to the docket so the records were free of cost.

While you may not be satisfied with the Commission's rationale for setting the rate for the Cross Creek wastewater customers, the information was promptly provided to you upon your request. I note that Seminole County and the Office of Public Counsel have asked the First District Court of Appeal to review the Commission's order. The First District Court of Appeal has assigned Case Number 1D17-4438 to Seminole County's appeal and Case Number 1D17-4425 to the Office of Public Counsel's appeal. The First District Court of Appeal's website is <http://www.1dca.org/>, if you wish to monitor the appeals. You may also wish to contact the Office of Public Counsel concerning the issues it is pursuing on appeal.

Because of the litigation pending before the First District Court of Appeal, the Commissioners are not able to separately respond to you. I hope, however, that the information I have provided addresses your request to the Commissioners. Thank you for your interest in this matter.

Sincerely,  
Keith Hetrick  
General Counsel  
Florida Public Service Commission

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**From:** Frank [<mailto:xcreek@comcast.net>]  
**Sent:** Thursday, December 07, 2017 4:07 PM  
**To:** Office of Commissioner Brown; Office of Commissioner Polmann;  
Office Of Commissioner Graham; Office of Commissioner Brisé; Office Of  
Commissioner Clark  
**Cc:** [Rick.scott@eog.myflorida.com](mailto:Rick.scott@eog.myflorida.com)  
**Subject:** Complaint against Florida Public Service Commission

**To:** Directors of the Florida Public Service Commission  
(PSC)      **Date:** 12/7/2017  
**CC:** The Honorable Rick Scott

**From:** Frank Maranto, President, Cross Creek of Fort Myers  
Community Association

**RE:** Flat Rate Assumptions for Sewage Treatment

I note with a great deal of dissatisfaction that despite the name of Public Service Commission, in my view, you have to date demonstrated a total and incomprehensible lack of service to the segment of your public that I represent.

I filed Complaint TRACKING NUMBER: 124246 with the PSC on September 18th because I could not agree that our community was receiving fair prices. I also contacted the office of our county commissioner, Mr. Pendergrass and the Florida Office of Public Counsel via Mr. Saylor; both have been sympathetic and far more supportive than the PSC. On September 25<sup>th</sup>, I received an email from Ruth McHargue, a Regulatory Consultant, that my correspondence was **“added to UIF Docket file, 20160101”**. Ms. McHargue suggested that I review the documentation concerning Docket 20160101, which I did. On September 27<sup>th</sup>, I made a public records request for any additional documentation, in particular anything that could possibly support the conclusion that 5,000 gallons per month was a reasonable assumption in establishing a flat rate for our community. In response, Ms. Stauffer, a PSC Clerk, sent me links to the historical

information relating to the Docket. On September 27th, I wrote and explained to the Directors of the PSC about our unfortunate situation and on October 1<sup>st</sup>, I informed the office of the Governor Mr. Scott. On October 2<sup>nd</sup>, I received an email from Ms. Fleming, Chief Advisor to Chairman Brown of the PSC that **“The Commission Clerk has placed a copy of your email in Docket Correspondence”**.

After nearly 3 months of waiting, I feel that the only thing that the PSC has done is to ignore our concerns and simply bury the issues by adding the correspondences to the docket. I have been totally unable to provide any satisfactory information to the 905 residences representing approximately 1500 customers of the PSC on why their utility rates were increased this year by over 71%. I would like to request that some knowledgeable representative of the PSC explain this to our community and I would be pleased to schedule and organize such a meeting at his or her convenience.

Frank Maranto, President  
Cross Creek Condominium Association, Inc  
239 785-4750  
[xcreek@comcast.net](mailto:xcreek@comcast.net)

<PSC Complaint.pdf>

**Seminole County**

Seminole County argued that single tariff pricing exacerbates the discriminatory subsidy in the single tariff water rate with respect to wastewater rates being based upon water rates. Seminole County contended that the wastewater cap should be based on the gallons treated by each respective system. Additionally, wastewater rates should be constructed based on the cost of service and the opportunity to earn a reasonable return on its U&U investment in the provision of that service. Seminole County opposed averaging costs across Utility providers or cross-Utility subsidies in determining wastewater rates.

**ANALYSIS**

We are charged with setting rates that are just, reasonable, compensatory, and not unfairly discriminatory, considering the value, quality, and cost of the service pursuant to Section 367.081(2)(a)1, F.S. The traditional wastewater rate structure set by us consists of a BFC and gallonage charge for residential customers. For general service customers, the rate structure typically consists of a BFC based on meter size and a gallonage charge 1.2 times the corresponding residential gallonage charge.<sup>104</sup>

When designing wastewater rates, Commission staff witness Daniel testified that our practice is to allocate 50 percent of the revenue or greater to the BFC to reflect the capital intensive nature of wastewater utilities. UIF Witness Guastella's argument for the appropriate allocation of revenues to the BFC is in line with witness Daniel's argument. Witness Guastella argued that 51.8 percent of revenues should be allocated to the BFC. No other intervenors presented an argument on the appropriate percentage of revenues to be allocated to the BFC. Considering the information presented by witnesses Guastella and Daniel, we constructed the consolidated BFC with a 51.8 percent revenue allocation.

UIF requested an 8,000 gallon cap for its consolidated residential wastewater rates. Witness Daniel testified that the wastewater cap on residential bills aims to capture approximately 80 percent of the residential customers' water consumption; this recognizes that not all water consumption is returned to the wastewater system.<sup>105</sup> Currently, UIF's wastewater systems currently have varying caps ranging from 6,000 to 10,000 gallons. UIF agreed with Commission staff witness Daniel that if wastewater rates were consolidated and the cap was left at 8,000, it would mitigate the swing that would occur when gallons are considered to calculate the wastewater gallonage charge. Additionally, witness Daniel testified that a higher gallonage

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<sup>104</sup>Order Nos. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, 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.; PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

<sup>105</sup>Order Nos. PSC-15-0282-PAA-WS, issued July 8, 2015, in Docket No. 140158-WS, In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.; PSC-16-0525-PAA-WS, issued November 21, 2016, in Docket No. 160030-WS, In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

cap would result in more gallons included in the calculation of the residential wastewater gallonage charge (and a lower gallonage charge) than a lower gallonage cap. We agree and therefore find an 8,000 gallon cap shall be applied to UIF's residential wastewater rates.

Our volumetric and flat rates for wastewater service take into account the gallonage demand of all UIF wastewater customers. Select systems bill a flat rate for wastewater service where water demand is not easily accessible to the Utility or if there are wastewater only customers who may rely on their own private well for water. We have approximated the average demand of these flat rate customers on an individual system basis. As suggested by witness Daniel, the rates for flat rate customers shall be approximately equal to the rates of the average consumption-based customer; in other words, the flat rate shall be equal to the BFC plus the average gallonage for consumption-based rates. We utilized this methodology to determine the approximate flat rate demand if the system billed volumetric residential rates in addition to a flat rate. However, some of UIF's wastewater systems do not have volumetric residential wastewater rates. With this in mind, we have determined the approximate wastewater demand for those systems without volumetric residential rates by analyzing the engineering schedules in UIF's MFRs, which display the total gallons of treated wastewater. We removed the amount of general service gallons displayed on the rate schedules of the MFRs from the total treated wastewater gallons, resulting in an approximate amount of wastewater gallons attributable to the residential flat rate customers.

We analyzed the consolidated wastewater flat rates proposed by the Utility. However, the consolidated wastewater flat rates do not take into account any approximation of gallonage demand. Witness Guastella calculated his proposed flat rates by the total number of bills and a meter factor of 1.40 for the residential and 1.75 for the general service flat rates. We agree with Commission staff witness Daniel that to the extent possible, the approximate wastewater demand should be incorporated when calculating wastewater flat rates. UIF Witness Guastella did not offer any further explanation on the calculation of wastewater flat rates other than the Sewer Rate Development exhibit.

We averaged the gallons consumed across all UIF systems in order to determine the approximate wastewater consumption per month relative to customer class. The average demand of a residential flat rate customer is approximately 4,978 gallons per month. That is similar to the overall residential demand of all volumetric wastewater customers of approximately 4,651 gallons per month. Sanlando is the only UIF system that currently bills a general service flat rate. We determined the average demand per general service flat rate customer to be approximately 4,862 gallons per month. In order to determine this average demand unique to Sanlando, we used the average consumption incorporated in its flat rate from Sanlando's most recent stand alone rate case.<sup>106</sup> Based on the above, we established a single flat rate for both residential and general service customers of UIF based on an average demand of 5,000 gallons per month as shown in Schedule No. 4-B. Furthermore, the Utility indicated that water data for its current flat rate customers was either not readily available or would cause the Utility to incur additional costs.

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<sup>106</sup>Order No. PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

Therefore, the Utility shall maintain flat rates for those systems that currently have flat rates in place.

### **Bi-Monthly Billing Frequency**

All UIF wastewater systems with the exception of Mid-County and Tierra Verde follow a monthly billing frequency. Mid-County and Tierra Verde bill their customers bi-monthly because the billing for these systems is done by Pinellas County at no additional charge. Pinellas County follows a bi-monthly billing frequency and bills Mid-County and Tierra Verde for its wastewater services in the same manor. Therefore, we find that these two systems shall maintain a bi-monthly billing schedule since Pinellas County provides this service at no extra cost.

### **Cross Creek Community Association**

Eagle Ridge provides service to the Cross Creek Community Association (Cross Creek). Cross Creek is a multi-story condo building, consisting of approximately 905 residential units and is currently billed a flat rate for each unit. The Cross Creek Homeowner's association is billed for these residential customers. Lee County provides the water data for the volumetric wastewater customers of Eagle Ridge. However, the Utility does not know whether Cross Creek is individually metered, billed through master meters at each building, or a combination of the two. With this in mind, we find that these residential customers shall continue to be billed a flat rate. On a prospective basis, a unique general service flat rate for Cross Creek shall be established, which consists of our approved flat rate multiplied by Cross Creek's 905 units. The general service rate for Cross Creek is shown on Schedule No. 4 attached.

### **DeeAnn Estates**

Lake Placid has one bulk service customer, DeeAnn Estates Homeowners Association (DeeAnn). DeeAnn consists of condominium buildings totaling approximately 72 units behind its two inch master meter. In a previous rate case, a unique BFC was established based on 80 percent of DeeAnn's ERCs or approximately 58 ERCs; a 20 percent reduction was applied to account for the savings to the utility of billing, bookkeeping, and maintenance of the mains on the discharged side of the meter. Additionally, DeeAnn's gallonage charge was designed to be 80 percent of the general service gallonage charge to reflect the fact that DeeAnn pays for all costs associated with its lift station.<sup>107</sup> We approve a BFC of \$1,470.56 and a gallonage charge of \$4.05 for DeeAnn to maintain these components.

### **Wastewater Repression**

In addition, based on the expected reduction in water demand, we find that a repression adjustment shall be also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the

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<sup>107</sup>Order No. PSC-07-0287-PAA-WS, issued April 3, 2007, in Docket No. 060260-WS, In re: Application for increase in water and wastewater rates in Highlands County by Lake Placid Utilities, Inc.

billing determinants used to calculate wastewater rates shall also be adjusted. Based on the billing analysis for the wastewater system, we find a repression adjustment of 27,355,976 gallons to reflect the anticipated reduction in water demand used to calculate wastewater rates. We find a 2.3 percent reduction in total residential consumption and corresponding reductions of \$27,905 for purchased power, \$10,411 for chemicals, \$10,102 for sludge removal, and \$2,179 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of \$18,374,905.

### **ROE Penalties**

As discussed in Part II, we imposed quality of service penalties on UIF's Cypress Lakes, Mid-County and Pennbrooke for marginal quality of service. The penalty amounts per year, based on the stand alone revenue requirement, are \$7,475 for Cypress wastewater, \$18,431 for Mid-County wastewater, and \$3,993 for Pennbrooke wastewater. It is likewise appropriate that the credits flow back to the benefit of the customers of those systems. We have calculated the appropriate BFC and gallonage credits based on the test year billing determinants for each respective system. The appropriate credits are reflected in Schedule Nos. 4, 4-A and 4-B of each respective system attached to this order.

### CONCLUSION

We have approved water rates, including the Cypress Lakes, Mid-County and Pennbrooke ROE penalty credits, as shown on Schedule Nos. 4 and 4-A. Our approved wastewater rates are shown on Schedule Nos. 4 and 4-B attached to this order. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility shall provide proof of noticing within 10 days of rendering its approved notice.

## **IX. OTHER ISSUES**

### **A. MISCELLANEOUS SERVICE CHARGES**

In this section, we evaluate UIF's request for miscellaneous service charges.

### PARTIES' ARGUMENTS

#### **UIF**

UIF provided supporting documentation justifying its requested miscellaneous service charges. UIF asserted that no evidence was presented to refute the requested miscellaneous service charges.

## Calculation of Uniform Wastewater Flat Rate for all UIF Customers

The methodology for computing a consolidated flat rate for wastewater service for those customers currently billed on a flat-rate basis was to first determine the average water consumption for that subset of UIF customers. Only the usage of flat-rate customers of the systems identified in the table was included in the calculation. That calculation appears in the table below.

Docket No. 20160101-WS

In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida

### Test Year Gallons and Bills for UIF Systems with a Residential Flat Rate

System Name	Total Residential Gallons (Flat Rate Customers Only)	Total Residential Bills (Flat Rate Customers Only)	Average Residential Flat Rate Demand Per Customer
Eagle Ridge	27,031,000	10,860	2,489
Tierra Verde	71,909,000	11,318	6,354
Mid County	63,000	22	2,864
UIF-Pasco Orangewood	69,000	36	1,917
Longwood	114,462,000	18,639	6,141
Lake Placid	59,000	36	1,639
Sanlando	26,601,216	7,296	3,646
<b>Total</b>	<b>240,194,216</b>	<b>48,207</b>	<b>240,194,216/48,207 = 4,982 ~ 5,000 gallons</b>

The average of 4,982 gallons per month was rounded to 5,000 gallons since rates are typically billed in 1,000 gallon increments. Once the average consumption for all UIF flat-rate customers was determined, the consolidated usage-based wastewater rate was applied. Thus, the flat rate consists of a Base Facility Charge component and a usage component base on 5,000 gallons per month consumption. This resulted in a flat rate of \$45.60. Cross Creek HOA, which is served by the Eagle Ridge system, has 905 customers. Therefore, the flat for Cross Creek HOA was calculated to be \$41,268 (\$45.60 x 905).