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July 31, 2018

VIA ELECTRONIC FILING

Carlotta Stauffer, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Orchid Springs Development Corp.; Docket No. 20180063-WS
Application for limited proceeding water and wastewater rate increase
Response to Staff's First Data Request

Dear Ms. Stauffer,

Attached for filing in the above referenced docket is Orchid Springs Development Corp.'s Response to Staff's First Data Request:

1. General Ledger: Please provide a copy of the general ledger for all of 2017 and for the completed portion of 2018 to date. Please provide the information electronically in Excel format if possible.

Utility response:

Electronic file in Excel format is attached. [OSDC GL DATA FILE 1.1.2017-6.30.2018.xlsx]

2. Land Maintenance: Please provide the following information regarding the utility's maintenance of the land associated with the decommissioned wastewater plant.
 - a. Please provide invoices for all mowing expenses incurred in 2017 and 2018 to date.

Utility response:

There are two areas from the retired WWTP which require maintenance throughout the year. Golden Pond is located next to a residential area off of Las Cruces and the eastern end of San Jose. The other area is located behind the Orchid Springs Clubhouse. Creative Association Management submitted a proposal to maintain these areas at a cost to the Utility of

\$500.00, per month. The Utility currently is seeking proposals from two other contractors.

- b. Please provide a copy of the contract or service agreement that describes the land maintenance service provided.

Utility response:

There is no contract for this service. The utility entered into a verbal agreement with Creative Association Management (CAM) to mow and maintain these two parcels of land on a regular basis so as to comply with county regulations and to keep those properties in good and reasonably attractive condition so as not to negatively impact property values in the community.

- c. Did the utility request quotes for mowing services from other contractual service providers? If yes, please provide a copy of the quotes and explain why those service providers were not selected.

Utility response:

Creative Association Management submitted a proposal to maintain these areas at a cost to the Utility of \$500.00, per month. The Utility did not originally seek alternative proposals because management felt based on their experience that the proposal of CAM was very reasonable. However, in order to demonstrate this to the PSC and its staff, the utility did seek a proposal from one other service company to provide the same services. This proposal from Prince & Sons Inc. for annual maintenance of the two sites is substantially more expensive and is attached.

- d. Please describe the land that is being mowed, including the size, area, and location.

Utility response:

Golden Pond is located next to a residential area off of Las Cruces and the eastern end of San Jose in the patio homes section of Orchid Springs Village. This area consists of a decommissioned percolation pond which is fairly flat ground covered with Bahia grass and is surrounded by a berm. The former spray field is located on the ESE side of the pond. This terrain is more tropical with denser growth. This area has been measured via Google maps and is approximately 134,280 square feet.

The area behind the Orchid Springs Clubhouse is a dense mix of grass and tropical type growth growing in mucky sand. This area has been measured via Google maps and is approximately 35,287 square feet.

An aerial map for each area is attached. [MAP.GOLDEN POND.2018.pdf, MAP.CLUBHOUSE.2016.pdf]

- e. In addition to the Polk County ordinance provided in the application, has the utility been contacted directly by Polk County regarding maintenance of the land? If yes, please provide a copy of any letters, notices, or warnings specifically related to this land.

Utility response:

Yes. Before contracting with CAM to provide regular maintenance of the two sites, the utility was contacted by Polk county on several occasions requesting the utility do more to maintain the sites or face citation by the county. In order to address this issue, the Utility contracted with CAM for these maintenance services. The utility no longer has that correspondence from Polk county in its files but has recently requested copies from the County. As of the due date for filing this response, those documents still have not been received. They will be filed as soon as they are available.

- f. Please describe the work that would be necessary to rehabilitate the land to make it suitable for sale or other uses? Please provide a copy of any quotes or cost estimates that the utility obtained that show the anticipated cost to rehabilitate the land.

Utility response:

It is unlikely that the property behind the Orchid Springs Clubhouse of approximately $\frac{3}{4}$ acre would be able to be rehabilitated for sale as it would be more costly to prepare for any other use than it is worth and in any case it is mostly wetlands. This doesn't even address what it would cost to re-zone the property even if that were permissible.

To rehabilitate approximately 3 acre Golden Pond for sale would cost prohibitive to either build on the land or to sell it. It would require that a very large quantity of off-site fill be brought in, spread, and compacted to bring the pond back to grade. It would

also be necessary to bring in water and sewer lines, and other utilities, as well as requiring normal development costs such as re-zoning, engineering, platting, road work etc. All of which would be substantially more expensive than the property would be worth at sale.

3. Plant Investment: Please provide the following information related to the utility's plant improvements:
- a. Please provide the retirement value for all the replaced plant items included in the utility's request and indicate if the retirement value is based on the original cost of the plant items or 75 percent of the replacement cost? Please provide supporting cost documentation for items that were retired based on original cost.

Utility response:

These assets were constructed and put in to service in January of 1974 and the Utility was regulated for 25 more years and as such not required to maintain cost documentation and has none. However, all of the replaced assets have long passed their useful life and would be fully depreciated.

- b. Please provide a list of all meters replaced since January 2015 broken down by the replacement date, location, equipment cost, labor cost, and the invoice number related to each replacement.

Utility response:

See attached Meter replacement invoices and schedules.

- c. Please provide a copy of all invoices that support the meter replacement costs of \$10,331 in 2015, \$1,089 in 2016, and \$1,677 in 2017.

Utility response:

See attached Meter replacement invoices and schedules

- d. Please provide a copy of all invoices that support the wastewater lift station pump replacements of \$4,980 in 2016.

Utility response:

See the attached electronic file. [Lift Station Pumps.pdf]

- e. Please provide a breakdown of the costs that were included to calculate the manhole renovation totals of \$3,030, \$2,188, and \$5,625 as shown on Exhibit No. 2? Please indicate the invoice numbers associated with each calculation.

Utility response:

See the attached electronic files. [Summary of work done on Dennis Woods comments from sewer TVing, item_6 Sewer Manhole repairs 2015.pdf, Item_15 Sewer Manhole repairs 2015.pdf, Item_16 Sewer Manhole repairs 2015.pdf, Item_48 Sewer Manhole repairs 2015.pdf, Last Item MH_%27s7A%2cB%2cC & D Sewer Manhole repairs 2015.pdf]

- f. Please provide proof of payment for the failed water well pump replacement of \$10,533 in 2017.

Utility response:

See the attached electronic files. [1224 OSDC City of Winter Haven.pdf]

- g. Please provide proof of payment for the water well flow meter replacement of \$3,926 in 2017.

Utility response:

See the attached electronic files. [1253 OSDC City of Winter Haven.pdf]

- h. Many of the invoices provided in the application indicate that the repair costs were expensed rather than capitalized. Did the utility subsequently adjust its books to capitalize the repairs? If yes, please provide supporting documentation that shows the book adjustments.

Utility response:

See the attached electronic file which has been annotated. [LP APPLICATION.ANNOTATED.pdf]

- i. Please provide a copy of the current services agreement with the City of Winter Haven for the operation of the water plant.

Utility response:

See the attached electronic files. [CITY WH.Water System Operation Service and Maintenance Agreement.EXECUTED.pdf]

4. Purchased Wastewater Treatment Service:

- a. Please provide a copy of the lift station readings for billing purposes from July 2017 to present.

Utility response:

See the attached electronic files. [OrchidSprings_LS Readings.xlsx, OrchidSprings_LS Readings.2017.pdf]

- b. Please provide a copy of all purchased wastewater treatment bills from January 2018 to present.

Utility response:

See the attached electronic files. [2018.1.pdf, 2018.2.pdf, 2018.3.pdf, 2018.4.pdf, 2018.5.pdf, 2018.6.pdf]

- c. Please provide documentation showing the current purchased wastewater treatment service rates, and the rates that were charged during 2017 if different than the current rates.

Utility response:

Attached are the "City Water Rates Schedules" as provided by city staff effective 10/1/2016 and 3/1/2017. These constitute the rates that were in effect for all of 2017 (2 mo. & 10 mo. respectively) and the first 9 months of 2018.

The sewer rate charged to the utility is the "circumstantial" rate outside the city shown in the bottom right corner of the 3/1/17 schedule, and 2/3 of the way down in the first column of the 10/1/16 schedule (both are circled on the attached schedules).

The water rate charge is strictly a gallonage charge outside the city limits as circled on the attached "City Water Rates Schedules".

- d. If the utility has been advised of any upcoming rate increases for the purchased wastewater treatment service, please provide a copy of that documentation.

Utility response:

The utility has been advised upon inquiry last week that the previously annual automatic increases in October have been discontinued. However, until the City has received its annual rate study from its rate consultants, and acts upon it, it is unclear if there will still be increases in October, 2018. Historically, the City of Winter Haven (like most municipal entities) consistently increases the water and sewer rates every October.

5. Purchased Emergency Water:

- a. Did the utility incur any purchased emergency water expense in 2016 or 2018? If yes, please provide a copy of those bills and a description of the reason for the emergency water purchase.

Utility response:

The utility did not incur any extraordinary water purchases in 2016. However, due to two extraordinary events during the first half of 2018, the utility was required to purchase water from the city through the emergency interconnect for a few days in January and in June. Those additional purchases should be added to the Purchased Emergency Water requested for recovery in Exhibit #4 under the same reasoning as outlined in the Original Issue #4.

On January 20, 2018, the well was required to be taken offline as a result of a frozen pressure switch that resulted in plug blowout of a well pipe. This was repaired and placed back in service on January 24, 2018. The utility was required to purchase 407,000 gallons of water, at a cost of \$2,463, during this period to allow for the repair.

On June 2, 2018, there was an electrical issue which burned up a starter and required that the well be taken offline. This was repaired and placed back in service on June 5, 2018. The utility was required to purchase 321,000 gallons of water, at a cost of \$1,937, during this period to allow for the repair.

Such extraordinary required water purchases occur only occasionally. However, when they do, they have a tremendous impact on the utilities financial viability. The utility management is hoping to undertake upgrades and replacements to minimize these recurrences in the future. However, in the meantime, the utility must request recovery of these costs through amortization as extraordinary items.

We are attaching hereto the bills for purchase of this additional water along with a revised Exhibit #4 showing the impact of these extraordinary water purchases, as well as a Revised Exhibit #1 to show the impact of these additional water purchases on the requested increase.

- b. Please provide documentation showing the current purchased water service rates, and the rates that were charged during 2017 if different than the current rates.

Utility response:

The 2017 bills from January through February reflect the charges effective from October 1 2016 to March 1, 2017. New rates were implemented by the City on March 1, 2017 which are effective until changed again. A copy of the rate schedule from the city's staff for each of those two years is attached as "City Rate Schedules". The water rates applied to Orchid Springs are those circled. Only Gallonage Charges and a 10% tax on water sales are applied to Orchid as a bulk user. It is clear that the highest graduated rate changed each year as has been the case in the past. On those occasions where Orchid Springs is required to use any significant quantities of City bulk water, the majority of that consumption is at the top tier rate which has increased yearly.

6. Management Salary:

- b. Please provide a breakdown of Mr. Albert Cassidy's and Mr. Steve Cassidy's time spent on utility work versus time spent on Orchid Springs Development Corporation work.

Utility response:

Orchid Springs Development Corporation is the ownership vehicle for the Utility and is not active in any other aspect of business. Orchid Springs Development Corporation no longer

develops or sells property. The only work done by either Albert Cassidy or Steven Cassidy is work for the Utility.

- c. Please provide supporting documentation showing the salaries paid to Mr. Albert Cassidy and Mr. Steve Cassidy for 2017 and 2018 to date for their work related to the utility.

Utility response:

Neither Albert Cassidy nor Steven Cassidy are being paid a salary as the Utility does not generate enough cash flow to pay them. If salaries were taken, it would put Orchid Springs Development Corporation Water & Sewer in a larger deficit position. The Utility has also been advised that money loaned to the company to pay such salaries cannot be recovered.

- d. Have Mr. Albert Cassidy or Mr. Steve Cassidy's work duties or time spent on utility work changed since the last rate case? If yes, please describe those changes.

Utility response:

Yes. Because of the age of the system and as a result of work done in 2016 (TV-ing sewer lines and system evaluation), both Albert Cassidy and Steven Cassidy have spent a great deal of time determining how to keep the system viable. The sewer collection system is beyond the end of its useful life and will require a significant investment in capital. In its current condition and age, it already requires significantly higher maintenance cost incurred & overseen by these individuals daily to keep utility in compliance with DEP regulations. They are working on putting together a phased capital improvement plan which will require close collaboration with a civil engineer to design each phase and provide specifications for each phase in order to put the jobs out to bid. They also will be required to work with financial institutions to put financing in place as well as work with choosing a utility contractor in order to institute a long-term phased rehabilitation plan.

7. Rate Case Expense:

- a. Please provide a copy of all invoices received to date for legal and consulting services related to this docket, and proof of payment for all payments already made.

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Utility response:

See attached Updated Rate Case Expense Exhibit.

- b. Please provide an updated estimate of the remaining rate case expense to complete the case through the Proposed Agency Action phase.

Utility response:

See attached Updated Rate Case Expense Exhibit.

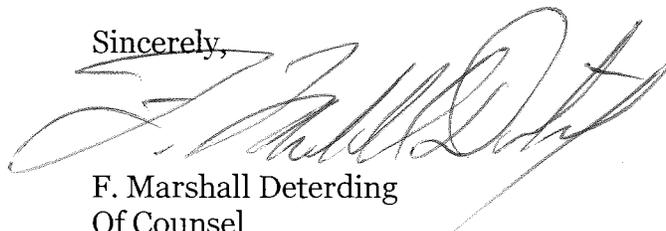
- c. Please provide an estimate of requested travel expense to attend the Commission conference if applicable.

Utility response:

See attached Updated Rate Case Expense Exhibit.

If the staff has any questions or need any further information on the issues, please do not hesitate to contact me.

Sincerely,



F. Marshall Deterding
Of Counsel

FMD/brf
Enclosure

cc: Gary Morse
Steve Cassidy
Michael Cassidy
Carol Rhinehart
Cheryl Bulecza-Banks
Kordell Wilson
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