

The Woods Utility Company

November 27, 2019

FILED 11/27/2019
DOCUMENT NO. 11164-2019
FPSC - COMMISSION CLERK

Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 20190125-WS - Application for staff-assisted rate case in Sumter County by The Woods Utility Company – Response to Staff Report

Dear Commission Clerk:

The Woods Utility Company (The Woods) submits its response to the Staff Report dated November 27, 2019 in the above referenced docket.

Excessive Inflow and Infiltration – In the Staff Report, a standardized calculation was performed to determine the amount of inflow and infiltration. Unfortunately, a significant amount of flow was overlooked through this simplified calculation. This calculation failed to take into consideration the amount of filter backwash that is returned to the collection system and wastewater treatment plant from the water treatment plant. The filters at The Woods water treatment plant requires significant backwash to operate and perform properly. For the test year the amount of backwash water from the water treatment plant was as follows:

| | |
|--------|------------|
| Apr-18 | 77,393.86 |
| May-18 | 113,272.73 |
| Jun-18 | 68,411.36 |
| Jul-18 | 68,886.36 |
| Aug-18 | 63,870.45 |
| Sep-18 | 89,545.45 |
| Oct-18 | 75,386.36 |
| Nov-18 | 72,045.45 |
| Dec-18 | 77,686.36 |
| Jan-19 | 117,795.45 |
| Feb-19 | 28,760.00 |
| Mar-19 | 79,442.00 |
| Total | 932,495.86 |

The Woods believes this wastewater usage should be considered in Staff's final recommendation.

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Bad Debt Expense – Although there were no preliminary adjustments were recommended in the Staff Report for Bad Debt Expense, The Woods offers additional information to support its expense. The customer base of The Woods historically and continually has a significant amount of uncollectable accounts, as well as a high amount of theft of service perpetuated by a large number of delinquent tenants. Typically, the Commission analyzes a three year average for bad debt. In consideration of this, The Woods offers the following historically information:

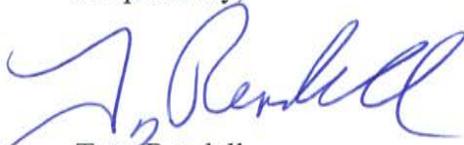
| | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>Jan - Oct</u> <u>YTD 2019</u> |
|------------------|--------------------|--------------------|--------------------|-------------------------------------|
| Bad Debt Expense | | | | |
| Water | \$ 2,031.59 | \$ 3,013.86 | \$ 2,124.84 | \$ 3,263.83 |
| Wastewater | \$ 2,591.31 | \$ 2,486.30 | \$ 2,687.21 | \$ 1,788.59 |
| Total | <u>\$ 4,622.90</u> | <u>\$ 5,500.16</u> | <u>\$ 4,812.05</u> | <u>\$ 5,052.42</u> |

Return on Equity – The Woods respectfully disagrees with the second sentence in the Staff Analysis on Issue 5. The Woods is **not** a subsidiary of U.S. Water Services Corporation and the earnings (losses) are **not** reflected on any “parent’s” tax return. The Woods is a totally separate Florida corporation and files it own stand alone tax return. The Woods also has different shareholders.

Revenue Requirement – Wastewater – The Woods respectfully submits that the revenue requirement for the wastewater should be determined utilizing an operating margin. The rate base for the wastewater is relatively low and the return calculated by staff is \$3,207. As shown on the Schedule 3-B the O&M expense is \$35,866; further the Amortization is greater than the Depreciation. Thus there is no allowance for any unexpected increase in expenses or for any necessary repairs or replacement of plant items through a reserve amount. On page 17 of the Staff Report, the staff references an operating margin in the last paragraph but does not calculate one. The Woods requests that a consideration be given by Staff in the final recommendation concerning an operating margin for the wastewater system.

If you have any questions, please do not hesitate to contact me at (727) 848-8292, ext. 245.

Respectfully,



Troy Rendell
Vice President

Investor Owned Utilities
// for The Woods Utility Company