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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of: DOCKET NO. 20200152-WS

Application for a limited
alternative rate increase
proceeding in Polk and Marion
Counties, by Alturas Water, LLC,
Sunrise Water, LLC, Pinecrest
Utilities, LLC, and East
Marion Utilities, LLC.

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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 13

COMMISSIONERS
PARTICIPATING: CHAIRMAN GARY F. CLARK
COMMISSIONER ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER ANDREW GILES FAY

DATE: Tuesday, October 6, 2020

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
the State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN CLARK: All right. Next item is Item
3 No. 13. Mr. Futrell.

4 MR. FUTRELL: Item 13 is staff's
5 recommendation on a limited alternative rate
6 increase in Polk and Marion Counties by Alturas
7 Water, Sunrise Water, Pinecrest Utilities and East
8 Marion Utilities. These utilities are all Class C.

9 Alturas provides water service to 55
10 customers. East Marion provides water service for
11 106 customers and 94 wastewater customers.
12 Pinecrest provides water service to 142 customers.
13 And Sunrise provides water service to 257
14 customers.

15 In accordance with Rule 25-30.457 Florida
16 Administrative Code, staff determined that all four
17 utilities met eligibility requirements for a
18 limited alternative rate increase. The rule allows
19 an eligible utility to apply for an increase in
20 rates no greater than 20 percent.

21 Staff recommends percentage increases of 14.05
22 percent for Alturas, 8.71 percent for East Marion
23 water, 5.88 percent for East Marion wastewater,
24 6.67 percent for Pinecrest, and 20 percent for
25 Sunrise.

1 Due to travel restrictions, a customer meeting
2 was not held, however, all customers received a
3 notice which included a customer comment card that
4 customers could complete and mail to the
5 Commission. Several customers expressed concern
6 regarding quality of service issues.

7 The Office of Public Counsel and a
8 representative of the utility would like to address
9 the Commission, and staff is available for
10 questions.

11 CHAIRMAN CLARK: All right. Thank you very
12 much.

13 We will begin with you, Mr. Friedman.

14 MR. FRIEDMAN: Thank you very much, Mr.
15 Chairman and Commissioners.

16 These utilities support the staff
17 recommendation. I would like an opportunity -- and
18 Mr. Smallridge is also on the phone -- like an
19 opportunity to respond to any comments that the
20 Public Counsel may have.

21 Thank you.

22 CHAIRMAN CLARK: Thank you, Mr. Friedman.
23 Mr. David.

24 MR. DAVID: Yes, sir. Good morning -- well, I
25 guess now it's good afternoon, Commissioners, and

1 thank you for this time.

2 Tad David for the Office of Public Counsel,
3 and I also want to enter an appearance for J.R.
4 Kelly.

5 And first, I want to say that the OPC does not
6 object to the rate increases recommended by staff
7 for the East Marion Utilities and the Pinecrest
8 Utilities. These increases appear to be reasonable
9 and within the limited alternative rate increase
10 parameters set by Rule 25-30.457 of the Florida
11 Administrative Code. However, I would like to
12 share OPC's concerns regarding the increases
13 recommended for Sunrise and Alturas in this docket.

14 Staff's recommendation notes that these two
15 utilities have overall quality of service issues
16 that evidently have existed since 2014, and
17 continue today, a period of at least six years.
18 Staff recommends that a penalty applied to officer
19 salaries that was originally posed in 2014 be
20 continued today, and we agree. However, that
21 penalty has not resulted in any improvements by the
22 utilities, and the captured customers continue to
23 suffer today for the same -- from the same quality
24 issue. Since that penalty has not resulted in any
25 noticeable improvements in six years, it seems

1 doubtful that a continuation of the penalty by
2 itself will spur change at this point.

3 The recommended rate increases for Sunrise and
4 Alturas are the two highest increases recommended
5 in this docket, as you heard from staff. OPC
6 suggests that the Commission reduce the recommended
7 rate increases for these two utilities by between
8 25 percent and 50 percent to encourage them to
9 address and improve the overall quality of service
10 problems and to improve their responses to customer
11 complaints about quality of service problems;
12 otherwise, the utilities may simply wait until just
13 before the next base rate case to even begin
14 addressing these problems.

15 OPC's suggested reduction would result in a
16 rate increase for Alturas of between 7.03 percent
17 and 10.54 percent instead of the recommended 14.05
18 percent. And our -- and our -- OPC's position
19 would result in an increase for Sunrise of between
20 10 percent and 15 percent, instead of the
21 recommended 20 percent increase.

22 These reduced rates -- these reduced -- excuse
23 me. These reduced rate increases will ensure that
24 the rates set in this docket are fair, just and
25 reasonable considering the quality of service, as

1 required under Section 367.082(1) of the Florida
2 Statutes; and hopefully the reductions will spur
3 the utilities to implement improvements in their
4 quality of service.

5 In conclusion, the OPC recommends that the
6 rate increases recommended by staff in this docket
7 for Alturas and Sunrise be reduced by 25 to 50
8 percent.

9 Thank you. And I am available for any
10 questions that -- that the Commissioners may have.

11 CHAIRMAN CLARK: Thank you, Mr. David.

12 Mr. Friedman, your response.

13 MR. FRIEDMAN: Yes. May I -- and I am going
14 to let Mr. Smallridge address the technical stuff,
15 but let me point out that what Mr. David didn't
16 point out was that that penalty was imposed against
17 the management salaries, that was when the prior
18 owner owned the system. So, you know, that wasn't
19 something that's a reflection on the current
20 management or ownership of the utility. And there
21 was a very difficult history between the prior
22 owner and the staff, as I am sure they will tell
23 you, that resulted in that penalty.

24 The current ownership -- and Mr. Smallridge
25 can go into details about what he has done to

1 improve the quality since he took over several
2 years ago, but the implication that the penalty
3 has -- has -- continues and had nothing -- no
4 prospective effect on the -- on the way the company
5 is being run is just wrong.

6 I am going to let Mr. Smallridge talk about
7 what he has done since he took over the system from
8 the prior owner to improve that quality.

9 Mike.

10 MR. SMALLRIDGE: Can everybody hear me okay?

11 CHAIRMAN CLARK: Yes, sir, we can hear you
12 fine.

13 MR. SMALLRIDGE: Okay. The only -- the thing
14 I wanted to object to is -- is the current, in the
15 staff recommendation, was the continued reduction
16 of the officer salary. As Marty pointed out, since
17 I took over the utility, I am aware of very few
18 customer service complaints that are under my
19 watch.

20 When the Office of Public Counsel goes back to
21 2014, that was the previous owner, Mr. Szabo, and
22 there was no doubt he was not doing things as maybe
23 we all intend, but a lot of that has -- a lot of
24 that has changed.

25 Keep in mind, it's -- it's an old system

1 that's probably close to 55 to 60 years old. And
2 so it does leak, and we have break -- we have
3 breakdowns and -- but since I have come in, we have
4 changed the complete billing cycle. There is a lot
5 more customer conveniences.

6 I would ask the Office of Public Counsel to
7 make an apples to apples comparison in the sense
8 that they seem to think the customer service is
9 fine for East Marion and Pinecrest, but it's not
10 fine for Sunrise and Alturas, and we have the same
11 people doing everything, the same customer service,
12 the same maintenance people doing for all the
13 utilities. So I don't think it's a fair analogy.

14 And my objection would be to the continued
15 decrease of the officer salary, because I think
16 that I have taken a lot of risk, and it's -- if you
17 remember, this utility was, you know, about to go
18 before a court hearing and be put into receivership
19 when I took it over. So there is a lot of things
20 we've done there. Sunk a ton of money into it, and
21 tried to improve things where we can and get things
22 going.

23 You know, for example, we got about \$5,000 in
24 just rehabbing the generator that was broke when I
25 got it. And the -- all aspects of the customer

1 service, you know, the new billing. Now customers
2 can pay their bills on-line. They can call in and
3 pay with a credit card. All those type
4 conveniences are there that I offer to all my
5 customers.

6 And we actually have two people that live --
7 that really -- two maintenance technicians that
8 live there, so the -- you know, the maintenance has
9 gone up. Our ability to be on-site and handle
10 things has gone up from the previous owner. And if
11 you looked at the last DEP inspection report, we
12 had no failures.

13 CHAIRMAN CLARK: Okay. Thank you very much.

14 MR. SMALLRIDGE: That's what I wanted to say.

15 CHAIRMAN CLARK: Commissioners, any questions
16 for any of the parties?

17 Commissioner Polmann.

18 COMMISSIONER POLMANN: Thank you, Mr.
19 Chairman.

20 Mr. Smallridge, when was the last DEP
21 inspection? You said that you had no problems.

22 MR. SMALLRIDGE: You are going to put me on
23 the spot there. It's been within the last six
24 months, I believe.

25 COMMISSIONER POLMANN: Sorry, sir.

1 MR. SMALLRIDGE: I'm sorry, Commissioner, I
2 don't have the exact date.

3 COMMISSIONER POLMANN: That's okay. I am just
4 notice -- I am noting, sir, that in the staff
5 report, it indicates -- and I recognize you didn't
6 own the system at the time, but in 2018, the
7 Alturas system exceeded iron levels. Are you
8 continuing to have some difficulties with secondary
9 standards in the Alturas system, or has that been
10 addressed?

11 MR. SMALLRIDGE: I did own the system in 2018
12 when that -- that NCL violation came in.

13 COMMISSIONER POLMANN: Okay.

14 MR. SMALLRIDGE: I went back through the
15 history of that system. That -- that has never
16 happened there.

17 What I am doing now is working with Florida
18 Rural Water and the Polk County Health Department,
19 who acts as an agent for DEP, and will be
20 addressing that, putting in a surfactant to control
21 the iron. That's secondary standard has not been
22 an ongoing problem there with that system.

23 COMMISSIONER POLMANN: Okay.

24 MR. SMALLRIDGE: Did that answer your
25 question?

1 COMMISSIONER POLMANN: Yes, it does on that.

2 There was mention here about customer
3 complaints. Could you just characterize for us, to
4 the best of your knowledge, the nature of the
5 customer concerns? Other than billing, have there
6 been water quality concerns in either the water or
7 wastewater systems among these four?

8 MR. SMALLRIDGE: Are you talking about during
9 my watch?

10 COMMISSIONER POLMANN: Yes, sir. As regard to
11 this particular docket, you know, the rate
12 increases here, and so forth, that are being
13 requested, what can you tell me about the customer
14 service complaints?

15 MR. SMALLRIDGE: Well, I think the vast
16 majority of them were -- were with billing issues.

17 The second issue was the previous owner had
18 had an order with DEP to replace the hydro tank,
19 and which is accounting for a loss of pressure.
20 And so some of those complaints were loss of
21 pressure issues. Very, very soon after I bought
22 the utility, we took those two tanks off and
23 installed a new tank. So that resolved a lot of
24 the pressure issues. And there was not a lot of
25 maintenance being done on the tank as far as

1 flushing it, and that's where some of the water
2 quality issues are coming in, because the tank was
3 rusty and it had never been cleaned or coated
4 inside, so there was a lot of -- contaminants is
5 not the right word, but there was a lot of
6 unpleasantries with the water because it wasn't
7 being maintained and the tank was bad. So that
8 stuff has -- those complaints have went away, you
9 know, because of the installing the new tank, and
10 it helps regulate the pressure a lot better.

11 There was a couple of complaints in there that
12 the power went out and the generator didn't come
13 on. We have since fixed that. The generator is up
14 and operable now.

15 And I would say the balance of the complaints
16 are through, you know, inconveniences to the
17 customers of line breaks. That's really not
18 stopped, because it's an old system, and, you know,
19 I can say we have an improved response time to get
20 out there and fix them and get the system back on,
21 but as you know, I am still obligated, when we have
22 to shut the system down, to issue a boil water
23 notice, so there was some customers that were upset
24 it about that.

25 COMMISSIONER POLMANN: Well, that -- I

1 understand those.

2 MR. SMALLRIDGE: Okay.

3 COMMISSIONER POLMANN: Okay. Well, thank you.
4 I appreciate those responses.

5 Mr. Chairman, one -- one follow-up here for
6 staff, if I can.

7 On the -- a question for staff on the proforma
8 increases. Mr. Smallridge just replied that there
9 is a number of system improvements, either
10 maintenance or capital. Is there anything in
11 particular here with regard to the increase at
12 Alturas and Sunrise that you wanted to elaborate
13 on, or -- I am just trying to put that in
14 perspective here. Is there anything that you can
15 add to that discussion?

16 I am not asking a specific question, but if
17 you wanted to comment on that, that may be helpful,
18 or if not, that's fine also.

19 Thank you.

20 CHAIRMAN CLARK: Mr. Futrell, you want to --
21 yes.

22 MR. RICHARDS: Commissioners, this is Chris
23 Richards with Commission staff.

24 Commissioner Polmann, the only items that were
25 included in the proforma calculation was employee

1 salaries, a -- a replacement for an AC unit and
2 just increased insurance. There were no, like,
3 plant improvement for Alturas or Sunrise
4 specifically considered in the proforma
5 calculation.

6 COMMISSIONER POLMANN: Okay. Thank you.

7 CHAIRMAN CLARK: All right. Other questions,
8 Commissioners? Other questions?

9 All right. I will entertain a motion.

10 COMMISSIONER POLMANN: Mr. Chairman, I would
11 move approval of staff recommendation on all issues
12 here.

13 CHAIRMAN CLARK: I have a motion.

14 Do I have a second?

15 Commissioner Brown seconds the motion.

16 Any discussion?

17 COMMISSIONER BROWN: Second.

18 CHAIRMAN CLARK: All in favor say aye.

19 (Chorus of ayes.)

20 CHAIRMAN CLARK: Opposed?

21 (No response.)

22 CHAIRMAN CLARK: Motion carries.

23 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby
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DATED this 20th day of October, 2020.



DEBRA R. KRICK
NOTARY PUBLIC
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