

CITRUS COUNTY WATER AND WASTEWATER AUTHORITY
March 5, 2012

The Citrus County Water and Wastewater Authority (Authority) met in regular session on the above date. Chairman Hnat called the meeting to order at 1:01 P.M. and led in the Pledge of Allegiance to the Flag. Chairman Hnat determined that there was a quorum.

Authority: Robert K. Hnat, Chairman; Harry M. Kilgore, Vice-Chairman; Michael G. Whetstone; Gloria T. Fisher; Mary Ann Lynn; James E. Dicks (Alternate)

Absent:

County Attorney: Kerry Parsons, Assistant County Attorney
Executive Director: Charles J. Howard, Utilities Reg. Director
Recording Secretary: Amy Palmieri, Administrative Secretary

#2 APPROVAL OF MINUTES

Upon motion by Commissioner Fisher, seconded by Commissioner Lynn, and carried unanimously, the Authority approved and authorized the Chairman to sign the February 6, 2012 minutes.

#3 OPEN TO THE PUBLIC

None.

#4 ITEMS REQUIRING ACTION BY THE AUTHORITY

#4-A Tarawood Utilities – Staff Assisted Rate Case – Phase 3 Increment of 3-Phase Final Rates [Docket No. 05-02-WS/SS]

Mr. Howard stated that final rates were approved in 2009 in Final Order No. 09-08 and have been implemented in increments to avoid rate shock to the customers. This is the third and final increment. Mr. Howard drew the Authority's attention to Net Operating Income Statements located under Tab IV.a. of the agenda book:

Water System – Schedule B-1 (page 19)
Rate of Return from -20.22% to -18.62% with third increment
(underearning)

Wastewater System – Schedule B-1 (page 37)
Rate of Return from -6.09% to -1.54% with third increment
(underearning)

Mr. Howard added that rates and annualized revenues could be found on Schedules D-2 and D-3.

Chairman Hnat invited the utility owner, John Thrumston, to speak.

John Thrumston stated, "Thank you very much board members. For the record, John Thrumston, Tarawood Utilities. As you know, this is about the fourteenth month that I've owned the utility in days and counting. We've come a long way since the first time that we came before you and asked for service availability charges and that has significantly helped the ratepayers out there. We're still underearning and, as you know, we went through a complete, you know, rebuild of management and operations and all those kinds of things to try and get the efficiencies better there to bring the costs down and we have done a really good job of that over the last fourteen months, but it's still – it's still – not where it needs to be and the customers understand that. I mean we've built a really good reputation with them. You haven't had any complaints I don't think out of them whatsoever. We went from they didn't even want to see me driving through the neighborhood to now we stop and we have a cold glass of water together on a hot summer day and, you know, they realize what's happening. The gentleman that owns all the vacant lots out there, he was – never challenged us on our availability charges. He was a little reluctant, but he understands that there is a cost out there to serve the system. Chuck can tell you we went from a very nice "C" to an above "A" system now. We have all of our DEP issues with the water side and the wastewater side –which I believe there was almost three pages of that – that have all been cleared up. We've got a stellar review from the DEP on our wastewater side who never says anything positive about any systems and he wrote in our book which I wanted to photocopy and give to you about, you know, how well the system is being run and maintained now. There's literally no smell anymore. The run times on the pumps are good so people aren't complaining about that. We've done a lot and we just ask that you, you know, continue to support us in trying to bring the utility up to where it needs to be financial-wise. It's an investment that we made and we don't want to raise the rates, but there is a cost to doing that and I haven't received a paycheck out there in a year and I'm probably not going to receive another one this year because we're still underearning for the system."

Mr. Thrumston continued: "I've worked with the property owner and we're trying to get some houses out there now. We're trying to get some starts so we can get more people onto the system. They're looking at doing a couple of spec houses this year out there and hopefully we can get some movement in the project. Houses are selling – I mean that are out there. They don't stay vacant long. When someone moves out or they move back north, it's a retirement community. They want to go back to their family because they're getting elderly. The houses don't sit. They sell really quick. So in the last three

or four months, it's been, you know, some turnover out there. We've got some new customers in there. So I just would hope that you would support this again and, you know, look forward to trying to make a dollar."

Chairman Hnat asked about the smell.

Mr. Thrumston replied, "It was a septage smell at the sewer plant. The sewer plant was actually running at a 97% settling rate and if you know anything about that, that means it's supposed to be between 40 and at the high point 70 and it was almost at 100% which excuse the term, but the plant was getting ready to puke which means that it goes in to the—the tanks where we clarify and treat the water and it gets put out into the ground to where it's raw septage being out there. It was just in really bad shape. Now there's on occasions you get a raw smell if the weather is really cold, but that's due to the fact that the bacteria dies off on the top and there really isn't anything you can do about that, but that's the only time we have any kind of an odor at all is sometimes in a real cold night it'll smell the next morning for a little while, but other than that, you know, we've put a lot of money into repairs. I think we've spent over \$15,000 in the last year just repairing pumps and lift stations and valves and, you know, painting hydrants and repainting tanks and putting new chlorine pumps in. All the things that you folks asked for two years ago – or not all of you – that you wanted to see being done has been done now and it's been done on my penny, not from the ratepayers and, you know, I'd just like to try and earn some of that back. I know this is a long-term investment for me. It's not something that I expected to make money on tomorrow, but it's long-term and we're at least heading in the right direction. I'd like for Mr. Morse to maybe say a few things. He's the rate guy that does all the rates and he does my annual reports and everything and if you have any questions would be happy to answer them for you."

Chairman Hnat invited Gary Morse to speak.

Gary Morse stated, "First, I'd like to say good afternoon to everybody and Charles is just a wonderful person to work with. I worked with him on the service availability rates and charges in getting those approved and I did work with him somewhat on this getting all the numbers correct on this and he's done a great job and deserves really recognition from the board that the hard work that he puts in to these things. The only other thing I'd like to add is that we are moving in the right direction with this utility from a rate and charge standpoint; however, as these documents depict, the rate of return on the investment is still not there and while we're going to continue to look for ways to bring that up – including adding new customers in the development – I'm still looking at other ways where we can bring the revenues up so that John does earn a return on his investment as a capital investor. That's what he needs. That's what he's there for. You don't just sink your own money into an

investment like this and expect not to earn a rate of return on the investment. I think that what we will do is continue throughout the rest of this year to when we put these rates in place, look at the numbers, look at the operating costs. John continues to look for ways to cut his operating costs and I know he's working diligently on that, but we'll continue to look for beyond that this rate of return and if we have to we'll – and we're very sensitive also to the impacts on the customers. This particular system since he's taken over was—. The rates that you're looking at and approving today were based on another owner with other operating costs, different operating costs, didn't have some accurate numbers as Charles will tell you, and we're working toward bringing that all together to see what happens over the course of the next six months to a year and whether or not, you know, we do need to do something on the rates again. That's just what we're going to do. Continue to look at things. Thank you."

Chairman Hnat asked for comments from the Authority members.

Commissioner Fisher told Mr. Thrumston to keep up the good work and she would like to see him get a return on his investment eventually.

John Thrumston replied, "Well, we'll get there and it takes time and, you know, the last thing I want to do is put a burden on them so much to where they don't give me the gate code anymore. And the good thing is I've had a lot of conversation with the association out there and I keep in contact. I go to their meetings. I, you know, keep them informed of what's happening and what's going on and they had a really bad taste in their mouth as you all know from the previous owner and what was going on and they see now what we're doing and how we're spending their money and they understand that if, you know, obviously there isn't anybody here today and they know this is happening today because, you know, I've talked to them and said, you know, this is when it is, come if you'd like. And they understand that we're spending money there and it's, you know, they don't have any water quality issues anymore. They all talk about how good the water is because we're flushing systems and they know that there is a cost to this and so they understand, but we just have to make sure that we continue to do what we're doing and show that their money is being spent in a prudent manner and we're not just, you know, wasting it, you know, on new cars and different things like that. That they see money going in to the system and they do. So I would also like to echo the fact that, you know, Chuck and Miss Amy were a big help on this process. Nothing is perfect by any means, but they do a very good job in what they do in helping us through these processes and they're very valuable and I know you guys are going to have a conversation later coming up but they're invaluable to us as a utility owner being able to go through this process. As you well know, if we had to do this at the regulatory commission in

Tallahassee, I'd probably still be waiting and that regulatory lag costs us money every day."

Commissioner Fisher noted that it also costs the customers money.

Mr. Thrumston replied, "Absolutely. It costs them every day and I appreciate what you all are doing and hopefully you'll support this and we'll keep doing a good job and you won't hear from us like I told you in the beginning. If you do, call me. Thank you."

Upon motion by Commissioner Fisher, seconded by Commissioner Lynn, and carried unanimously, the Authority approved the requested action [to approve the recommended setting of the phase 3 incremental increase and authorize the Chairman to execute Final Order No. 12-01].

#4-B WellAqua Company – Show Cause re: Matter of Maintenance of On-site Replacement Pump

Mr. Howard drew the Authority's attention to a handout provided by the utility owner, Jerome Salmons, which documented an order receipt for a new P318 Century Pump Motor, a Federal Express "in transit" receipt, photographs of a motor pump for parallel installation, and a letter from the utility's maintenance manager. Mr. Howard stated this was documentation the Authority had asked Mr. Salmons to provide.

Mr. Howard added that he and counsel both agreed that the situation had been abated.

Attorney Parsons stated, "As long as the board finds that it's been abated, we would recommend that you vote on a motion to dismiss the Show Cause Order."

Commissioner Fisher asked if it was premature to withdraw the Show Cause when the pump had not arrived or been installed yet.

Attorney Parsons replied, "You can always have a motion to continue this until your next board meeting or if you would like you can hold the Show Cause hearing. If you find that he has not abated, what happens next is that the board won't fine him. You would just recommend that it go to a special master and if it went to the special master, he'd have 30 days to abate from there."

Discussion continued regarding the pump that is on-site and the backup pump in transit.

Attorney Parsons stated, "To err on the side of caution, the board actually did say that as long as he could produce documents of his efforts to install an in-line pump, so."

Discussion continued that the Authority could bring the utility back for a Show Cause in future if needed.

Commissioner Whetstone asked if both pumps were three-phase motors.

Jerome Salmons replied, "We don't have three-phase on-site."

Mr. Howard stated that Mr. Salmons had single-phase.

Upon motion by Commissioner Kilgore, seconded by Commissioner Whetstone, and carried unanimously, the Authority rescinded the Show Cause Order.

#5 AUTHORITY MEMBERS DISCUSSION

#5-A Customer Complaint Summary

Rolling Oaks Utilities

Mr. Howard reviewed the documentation included in the agenda book (Tab V.a.) regarding the resolved Rolling Oaks Utilities complaints from Brousseau, Earehart, Proctor, Timiotta, and Tocha.

Mr. Howard then drew the Authority's attention to two handouts provided by John Patton, President of Rolling Oaks Utilities.

The first handout, a letter addressed to Mr. Howard and received February 24, 2012, explained the customer service "face-to-face appointment."

Commissioner Fisher asked Mr. Howard if he thought the utility's customer service was adequate. Mr. Howard replied, "I'm satisfied that they're getting a lot better at it."

The second handout, a letter addressed to Mr. Howard and received February 24, 2012, provided additional information on the Tocha complaint.

WellAqua Company

Regarding the Pistone complaint concerning low water pressure, Mr. Howard stated, "I don't have the equipment to go out and do an analysis on their pressure at their meter over any period of time. You know, that's about a \$200 to \$400 piece of equipment. We don't have enough of these type of complaints to really warrant that type of an expense, but DEP does it all the time."

Therefore, I gave them the contact number of the person at DEP. They went out. They did the test and they're going to be getting with Mr. Salmons on that and they (customer) called back and said, well, can't you do anything? I said I, you know, that's a DEP regulation that requires a minimum of 20 psi. I don't really—. It's not in my ordinance as something to enforce, but that is DEP's jurisdiction. You've made them aware of it. If they've gone out to make the testing, then it will get taken care of. There's not much else I can do other than what we've already done. So DEP is taking that situation and they're going to take care of it with Mr. Salmons."

Commissioner Fisher asked if it was a systems issue or a house-within-the-property issue.

Mr. Howard replied, "There's a couple of the customers in there that DEP put the equipment on and it shows periodically dropping below 20 psi at the home which is against their Florida Administrative Code and they're (DEP) going to take care of that."

Chairman Hnat asked Jerome Salmons if he had any comments about the pressure issue.

Jerome Salmons replied, "As far as I know, my operator increased the pressure range on the switch to increase the pressure. I don't even know how he might have or whether he got notified by DEP or not [inaudible] because it just happened, but I guess [inaudible]. But I've been there two days and recorded two or three cycles of the pump during the high usage hours, supertime, and I didn't notice any—. There was no low pressure at the tank. Now whether it gets low at somebody's kitchen sink or a showerhead, I can't speak to that."

Before further discussion ensued, Attorney Parsons stated, "I'm going to recommend, just because it's not within the board's jurisdiction, that we move on from this issue."

#5-B Update on Monthly Meeting with WellAqua Co.

Mr. Howard stated: 1) he met with Mr. Salmons who delivered the December financial data needed to do an annual report; 2) they reviewed depreciation; 3) Mr. Salmons will go back and update depreciation and amortization figures; and 4) Mr. Salmons hopes to turn in the annual report by end of March/early April.

Chairman Hnat commented that things seem to be moving along in a good direction.

#5-C Other Rate Case Updates

Mr. Howard stated: 1) the final incremental rate for Tarawood Utilities was taken care of at today's meeting; and 2) there are potential rate cases for Meadow

Wood Water System, Springhorn Water System, and Rolling Oaks Utilities – mostly because of investment in those systems not recovered yet.

#5-D Update re: Keeping Utility Regulation Local

Mr. Howard stated he met with one of the new assistant county administrators, Ken Frink, and they will be looking at several budget options. The newest option is to bring the two staff members of Utility Regulation into one of the other departments.

Chairman Hnat asked about the status of the utility owners contacting the County Commissioners. Mr. Howard replied that several of the utilities were working on that.

John Thrumston of Tarawood Utilities stated: 1) everyone knows the importance of the Authority being here and the costs that would incur to the customers if the function is returned to the Florida Public Service Commission; 2) as a past commissioner, his recommendation is that it is premature at this time to send the County Commission a letter, the reason being how chain of command works; 3) he and Marshall Hash have talked about sending County Administrator Thorpe a letter explaining what the utility owners' concerns are regarding what is happening; 4) he met with Brad Thorpe and Richard Wesch who both said there was no interest in going back to the FPSC; 5) Mr. Thorpe was a commissioner when the Authority was implemented years ago; 6) recommend the utility owners write a letter to Mr. Thorpe saying "how can we help you accomplish the goals of being able to keep this here?"; 7) the concern of sending a letter directly to the County Commissioners is that Administration is sensitive to having the opportunity to work the problem out first; and 8) he has asked county commissioners to allow the regulatory assessment fee to be increased seeing as how it would be increased at the FPSC.

Commissioner Fisher reiterated that if the function goes back to Tallahassee the regulatory assessment fee would be raised.

Discussion continued regarding: 1) the support of utility owners and customers in keeping the function local; 2) Administration moving the two staff members to other departments while still having them be available to do the Utility Regulation function; 3) the burden placed on customers if the function were to return to Tallahassee; and 4) the improved performance of the utilities since implementing Mr. Howard's grading system versus the way FPSC operates.

Marshall Hash added that he has spoken to several of the utility owners and he has rewritten the letter to be addressed to Brad Thorpe.

Attorney Parsons recommended that Ken Frink be carbon copied on the letter since he is the assistant county administrator who oversees this.

