



THE FLORIDA HOUSE OF REPRESENTATIVES
STATE REPRESENTATIVE ALEX ANDRADE
District 2

Chris Sprowls
Speaker of the House

Bryan Avila
Speaker Pro Tempore

September 28, 2021

ECUA Board
ATTN: Board Chair Lois Benson
9255 Sturdevant St
Pensacola, FL 32514

In response to a request made by Senators Broxson, Gainer, Powell and Pizzo, Florida's office of Public Counsel conducted a review of water utilities operating outside the jurisdiction of the Florida Public Service Commission. The Senators requested the Public Counsel to review the utilities and provide recommendations regarding whether alternatives for oversight or regulation were necessary. *see Request Letter*, attached.

As part of the Public Counsel's response to the Senators' request, the Public Counsel reviewed and compared the activities of the Jacksonville Electric Authority and the Emerald Coast Utilities Authority. *see Public Counsel Letter and Appendix*, attached. The Public Counsel made three findings, that while indeterminate, the Escambia County Legislative Delegation asks that you address:

1. The review raised the question of whether the ECUA is following generally accepted accounting principles ("GAAP") in addition to its own reporting standards when coding expenses in its financial reports. More specifically, the review identified expenses that may be improperly categorized as Capital Improvement Program ("CIP") expenses, rather than Operating Expenses.

The concern raised by the analysis is that the description of expenses as either Operating Expenses or CIP will affect the ECUA's debt service coverage or "debt parity" ratio.

The Delegation requests the ECUA review and explain its methodology for coding expenses as CIP which more readily appear to be Operating Expenses.

2. The review identified that the ECUA cycles out its water meters at a higher rate than similarly situated utilities, well before the water meters have reached their anticipated serviceable lifespan. The review notes that the reason given is that the ECUA desires all of its meters to operate under warranty. While the ECUA is not subject to review by the PSC,

the Public Counsel believes that similar activity would not be deemed “reasonable or prudent” in a PSC rate setting process. An analysis of this one activity showed the recurring annual expense for replacing meters to be \$2,000,000.

The Delegation requests the ECUA review its agreement with its vendor and determine if the ECUA’s policy for replacing utility plant equipment can incorporate a similar “reasonable or prudent” standard to reduce potentially unnecessary expenses.

3. The final note for consideration is the comparison in rates between ECUA and Peoples Water Service Company. While not out of the ordinary, the comparison of rates showed a difference the types of consumers who bore the heavier burden for consumption. Peoples appears to charge lower rates for its residential consumers, and higher rates for commercial consumers, due to its implementation of a scaled “conservation rate” structure.

The Delegation requests the ECUA review the possibility of implementing a conservation rate structure, or a response from the ECUA explaining why a conservation rate structure would be unfeasible or inadvisable for the ECUA.

Your attention to this matter is greatly appreciated. We request that responses to our inquiry be provided at your earliest convenience. If a response cannot be completed and delivered to us by November 30, 2021, please notify us and provide an alternative deadline you believe is achievable.

Sincerely,

Senator Doug Broxson



Representative Alex Andrade



Representative Michelle Salzman

