

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 10, 2015
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Kelley F. Corbari, Senior Attorney, Office of the General Counsel *KFC*
RE: **Docket No. 140220-WU** – Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

Attached please find a copy Staff's Third Set of Data Requests to Sunrise Utilities, LLC, which is due on June 24, 2015. Please file the attached document in the documents tab of the docket file.

Thank you for your assistance in this matter. Should you have any questions, please do not hesitate to contact me.

KFC

Kelley Corbari

From: Kelley Corbari
Sent: Tuesday, June 09, 2015 4:51 PM
To: l.szabo@rogers.com
Subject: 140220-WU Sunrise - Staff's Third Data Requests
Attachments: 140220 Staff'sThirdDataRequest.KFC.docx

Good afternoon Mr. Szabo,

Attached is a copy of Staff's Third Set of Data Requests to Sunrise Utilities, LLC. Please review the questions and completely respond to each of the requests by **June 24, 2015**. The responses along with copies of any documentation should be sent to:

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

As I explained during our conversation last week, it is important that you answer each and every question and provide as much detail as possible in your response. Staff requires this information in order to fully complete its analysis of Sunrise's SARC application and make an appropriate recommendation to the Commission.

If you have any more questions about the data requests, please do not hesitate to give me a call.

Thanks so much,
Kelley

Kelley F. Corbari,

Senior Attorney – Regulatory Analysis Section
Office of the General Counsel
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Boulevard
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Public Service Commission

June 9, 2015

Mr. Leslie Szabo, Owner
SUNRISE UTILITIES, L.L.C.
P. O. Box 2608
Eaton Park, FL 33840-2608
Email: l.szabo@rogers.com

STAFF'S THIRD DATA REQUEST

RE: Docket No. 140220-WU – Application for staff-assisted rate case in Polk County by Sunrise Utilities, L.L.C.

Dear Mr. Szabo:

By this letter, the Commission staff requests that Sunrise Utilities, L.L.C., (Sunrise or Utility) provide responses to the following data requests.

Staff has completed the preliminary review of Sunrise Utilities, LLC's staff-assisted rate case (SARC) application, which included performing a site inspection of the Utility and hosting a customer meeting in Auburndale, Florida on May 20, 2015. In order to fully complete its analysis of Sunrise's SARC application and make an appropriate recommendation to the Commission, staff requires additional information and requests Sunrise respond to the following questions by **June 24, 2015**. Please provide as much detail as possible in your responses to staff's questions.

Utility Operation & Maintenance

As reflected in the Staff Report filed on May 1, 2015, Commission staff included several preliminary pro forma plant and expense adjustments pending additional information from Sunrise. The information requested below is necessary in order for staff to finalize those adjustments in staff's recommendation. Please note that if Sunrise is not able to provide sufficient information to support the pro forma plant and expense items, staff will need to remove the pro forma adjustments from its recommendation to the Commission.

1. **Polk County Business License Renewal.** Polk County requires water utilities to obtain a business license and pay an annual renewal fee. Sunrise's test year did not include payment of the business license renewal fee, however, staff included a preliminary adjustment of \$58 for the renewal fee pending additional information from Sunrise. Please provide documentation showing that Sunrise:
 - a. Obtained or renewed its business license with Polk County; or
 - b. Was granted an exemption from the licensing requirement by Polk County.

2. **Officers' Salaries and Wages.** Based on the salary approved in the Utility's last rate case, the officers' salaries and wages expense for the primary officer/owner responsible for Administration is \$1,000 per month. Please provide:
 - a. A description of the Administration Officer's current duties related to the administration of Sunrise;
 - b. Specific examples of work performed and the number of hours (either per day, week, or month as applicable) spent on each activity; and
 - c. The percentage of the Administration Officer's total hours spent performing work related to Sunrise's sister utility, Alturas Utilities, LLC (Alturas).

3. **Utility Requested Pro Forma Plant and Expense Items.** Attachment A contains the pro forma projects that were proposed by Sunrise during the Commission's audit or in response to staff's second data request. Staff notes there are a few inconsistencies between the two lists of pro forma projects. Therefore, staff requests that Sunrise provide additional information to clarify which projects it plans to begin and complete in the near future. Section 367.081(2)(a)(2), Florida Statutes, allows the Commission to consider in a rate proceeding any utility facilities that will be constructed in a reasonable time, not to exceed 24 months after the end of the historic test year used in the rate case. Based upon the test year ended December 31, 2014, any pro forma items considered in this case must be completed by December 31, 2016. Please provide the following information regarding Sunrise's requested pro forma projects:
 - a. Provide the remaining information requested on the chart shown in Attachment A, and state:
 - (1) If any of the projects or cost estimates provided in the chart are no longer applicable, please indicate which projects and/or estimates should be removed from consideration in this case;
 - (2) Please verify which projects Sunrise plans to complete prior to December 31, 2016; and
 - (3) If any of the projects have already been completed, please provide the date the projects were completed, the invoices for the completed work, and proof of payment;
 - b. It is Commission practice for staff to review multiple bids for any pro forma projects requested by a utility in order to determine if the proposed costs are reasonable and should be included in the Utility's rates charged to its customers. At this time, the information previously provided by the Sunrise does not include sufficient cost justification for any of the requested projects. Please provide a minimum of three (3) detailed bids, quotes, or cost estimates for each project on the chart below. If it is not possible to obtain additional bids, please explain why Sunrise is unable to obtain additional bids.

- c. Sunrise's response to staff's second data request included a proposal from Dunham Well Drilling, Inc. (Dunham), dated March 11, 2015, which provided a combined estimated cost of \$30,000 for several repairs. A revised bid dated May 28, 2015, provided a breakdown of the \$30,000 estimate that included \$21,000 to sandblast and repaint the interior of the existing tanks, and \$9,000 to replace piping, valves, and mainline. The combined estimates are not sufficient for staff to determine the reasonableness of the proposed cost. Please request that Dunham provide as much detail as possible. For example, the work to replace the existing piping and valves should include details such as:
- the location of the pipe to be replaced;
 - the number of feet of pipe to be replaced;
 - the type and size of the pipe;
 - the price of the pipe;
 - the labor costs to replace the pipe;
 - the number of valves to be replaced;
 - the type of valves being installed;
 - the cost of the valves; and
 - the labor costs to replace the valves.
- d. Sunrise has requested consideration of a 5-Year Capital Improvement Plan to replace the Utility's piping, at a cost of \$8,500 per year for 5 years. Please provide additional information regarding the Utility's plan, such as:
- (1) A project schedule showing which sections of pipe will be replaced and when;
 - (2) How many feet of piping will be replaced each year;
 - (3) The size and type of piping;
 - (4) The cost of the piping and supplies;
 - (5) The labor cost to replace the piping, any additional costs expected to be incurred for the project;
 - (6) Any additional costs expected to be incurred for the project; and
 - (7) Any expected salvage value for the replaced piping, if any.
- e. With regard to Sunrise's meter replacement program, in Sunrise's last rate case the Commission approved an annual expense of \$1,359 to replace 23 meters per year for 10 years. During the Commission's audit, Sunrise provided a new meter replacement program annual expense estimate of \$3,500, representing an annual increase of \$2,141 over the existing expense of \$1,359. Please explain:
- (1) Why Sunrise believes additional funds are needed for the meter replacement program; and
 - (2) Provide a detailed breakdown of the \$3,500 cost estimate, including:
 - the number of meters that will be replaced each year;
 - the cost of the meter and supplies;
 - the labor cost to replace each meter; and
 - the number of years Sunrise anticipates it will take to replace the meters.

4. **Effect of Pro Forma Plant Items on Expenses.** Upon completion of the pro forma plant items, does Sunrise anticipate that there will be any increases or decreases in expenses (e.g., purchased power, chemicals, operator expenses, or repairs)? If yes, please provide:
 - a. A description of the expenses that are expected to increase or decrease;
 - b. The anticipated annual amount of the increases or decreases; and
 - c. Supporting documentation to show how the estimated increases or decreases were calculated.

5. **Pro Forma Plant Items – Retirements.** Please provide a list of the items that will be replaced and retired as a result of the pro forma plant replacements and the original cost of each item if available. Please note that it is Commission practice to retire 75 percent of the value of the new item if the original cost of the retired item is not available.

6. **Pro Forma Plant Items – Salvage Value.** Does Sunrise anticipate any salvage value for any plant items replaced with the pro forma additions? If yes, please describe the parts that may have salvage value and provide an estimate of the expected salvage value.

7. **Financing for Pro Forma Plant and Expense Items.** Although the Commission may include pro forma items in the Utility's revenue requirement, the resulting rates will not yield sufficient revenues to cover the costs associated with the pro forma projects in the short term. Please provide the following information:
 - a. State how Sunrise will finance the requested pro forma plant and expense items, such as a bank loan, letter of credit, or the owner's equity investment in the Utility; and
 - b. Provide any available supporting documentation related to that financing, such as a loan agreement or letter of credit from a bank. In the absence of an executed loan agreement, please provide any other available documentation, such as a letter from a bank that includes an estimate of the amount of the loan, term of the loan, and interest rate.

8. **Rate Case Expense.** Pursuant to Rule 25-30.455, Florida Administrative Code (F.A.C.), "If a utility that chooses to utilize the staff assistance option employs outside experts to assist in developing information for staff or to assist in evaluating staff's schedules and conclusions, the reasonable and prudent expenses will be recoverable through the rates developed by staff." Commission audit staff determined that Sunrise has already incurred rate case expense of \$225 for work performed by the Utility's CPA. Has Sunrise employed any other outside experts, such as an attorney or engineer, to assist with this rate case as described above? If yes, please provide:
 - a. An estimate of total rate case expense for this case, both to date and through the PAA phase; and
 - b. A detailed breakdown of all costs, along with any available supporting documentation, such as invoices or receipts.

9. Monthly Accounting Services. As discussed in Audit Finding 1 of the Auditor's Report issued on February 16, 2015, in this docket, Commission audit staff determined that Sunrise is not maintaining its books and records on a monthly basis as required by Commission rules. In addition, as discussed in Audit Finding 6, audit staff determined that Sunrise is not correctly recording the miscellaneous revenues that Sunrise receives for miscellaneous service charges, such as the initial connection fee, normal reconnection fee, violation reconnection fee, premises visit fee in lieu of disconnection, and late payment fee. Because these are charges that are assessed to customers, the charges should be recorded in Sunrise's billing register, as well as recorded on Sunrise's books as revenue. Sunrise must address both recordkeeping issues in order to be in compliance with Commission regulations. However, audit staff also determined that Sunrise does not currently have an employee or contractual service provider responsible for handling the Utility's day-to-day bookkeeping operations. As a preliminary adjustment in the Staff Report, staff included an estimated contractual service bookkeeping expense of \$200 per month or \$2,400 annually pending additional information from Sunrise. Please note that staff's adjustment is only intended to serve as a placeholder for the actual accounting expense that must be determined by the Utility. Therefore, please provide the following information:

- a. Has Sunrise begun maintaining its books and records on a monthly basis? If no, when does Sunrise anticipate it will begin maintaining the books and records on a monthly basis?
- b. Has Sunrise established a procedure to track and properly record all miscellaneous service charges assessed to customers and the resulting miscellaneous revenues collected from the customers? If no, please describe any steps taken by Sunrise to begin correctly recording miscellaneous services charges and revenues, and when Sunrise anticipates the new procedures will be put into effect.
- c. Has Sunrise either hired an employee or contracted with a third-party vendor, such as a bookkeeping firm that has experience using the National Association of Regulatory Commissioners' Uniform System of Accounts (NARUC USOA), to handle the day-to-day bookkeeping activities for Sunrise? If yes, please provide the following information:
 - (1) a copy of the employment agreement or third-party vendor contract that describes the work to be performed by the employee or contractual service provider with respect to the Utility's day-to-day bookkeeping activities;
 - (2) a description of the employee wage calculation, such as the hours to be worked and hourly rate, or the contractual service fees that will be charged by the third-party vendor; and
 - (3) documentation showing any wages that have been already paid or contractual service fees that have already been billed and/or paid.
- d. If Sunrise has not hired an employee or third-party vendor to handle the day-to-day bookkeeping activities, please provide the following information:
 - (1) a description of any steps Sunrise has taken to resolve the recordkeeping issues;
 - (2) a copy of any bids or quotes that Sunrise has received from any third-party vendors that have been contacted by the Utility to provide accounting services;

- (3) a description of any additional steps Sunrise must take before resolving the recordkeeping issues; and
- (4) when Sunrise anticipates it will have a new employee or third-party vendor in place to begin maintaining the Utility's books and records on a monthly basis as required by the Commission.

10. Contractual Services – Legal. The Utility's test year did not include any legal fees other than the legal fees incurred for the Blount Utilities, Inc. (Blount) case. In order to help staff determine if Sunrise is expected to incur any recoverable legal fees, such as legal fees for services that will be recurring in nature, please provide the following information:

- a. Excluding any additional fees that may have resulted from the Blount case, did Sunrise incur any other legal fees from January 1, 2015 through the present? If yes, please provide documentation that describes the legal services provided, the fees charged for those services, and proof of payment.
- b. Does Sunrise anticipate incurring any other specific legal fees during the remainder of 2015? If yes, please describe the legal services that are expected to be provided, when the legal services are due to be provided, the fees that will be charged for those legal services, and any available documentation demonstrating that the Utility has requested those legal services.

11. Land Ownership. Pursuant to Rule 25-30.433(10), F.A.C., "A utility is required to own the land upon which the utility treatment facilities are located, or possess the right to the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative." As discussed in Audit Finding 3, Commission audit staff determined that the land upon which Sunrise's treatment facilities are located is currently owned by Alturas rather than Sunrise. Audit staff determined that the error occurred on November 8, 2004, when the former owner executed a Corrective Warranty Deed (OR Book 06028 – Pages 1080 to 1081). In order to be in compliance with Rule 25-30.433(10), F.A.C., Sunrise will need to obtain ownership or the right to long-term use of the land from Alturas as described in the rule. Has Sunrise corrected the land ownership issue?

- a. If yes, please provide documentation showing the corrective warranty deeds, long-term lease, or easement that demonstrates that Sunrise now owns or has long-term use of the land upon which its treatment facilities are located. In addition, if Sunrise incurred any additional costs related to correction of the land ownership issue, please provide documentation showing the costs and proof of payment.
- b. If no, please describe how Sunrise plans to correct the land ownership issue (e.g., through a corrective warranty deed, a long-term lease, or an easement) and when Sunrise anticipates the land ownership issue will be corrected. In addition, please describe the type and amount of additional costs Sunrise anticipates it will incur related to correction of the land ownership issue, if any.

June 9, 2015

- 12. System Map.** In Sunrise's March 25, 2015 response to staff's second data request, Sunrise indicated that Sunrise system map had been updated and enlarged. Please provide an electronic copy of the new system map.
- 13. Florida Rural Water Association (FRWA) Membership.** Sunrise's test year did not include payment of membership dues to the FRWA. In addition, Sunrise was listed as a member in the FRWA's 2013-2014 membership directory, but was not listed as a member in the 2014-2015 membership directory. Because Sunrise was previously a member of the FRWA, staff included a preliminary adjustment of \$198 to cover the annual membership dues for Sunrise in the event the Utility chooses to renew its membership. Is Sunrise currently a member of the FRWA?
- If yes, please provide documentation showing Sunrise's current membership status and proof of payment of the annual membership dues, such as a cancelled check, credit card statement showing the payment, or confirmation from the FRWA that the payment was received.
 - If no, does Sunrise plan to become a member of the FRWA? If yes, when does Sunrise anticipate it will complete the membership application and pay the annual membership dues?
- 14. FRWA Leak Survey.** In Sunrise's April 7, 2015 response to staff's second data request, Sunrise indicated that it was in the process of contacting the FRWA and setting up a schedule to have the whole water system inspected for leaks. Has Sunrise scheduled the leak survey of the Sunrise water distribution system with the FRWA or any other entity to help determine the cause of the Utility's excessive unaccounted for water?
- If yes, and if the survey already occurred, please provide:
 - The date(s) the leak survey was conducted;
 - The results of the survey;
 - Documentation showing any additional costs that were incurred related to conducting the leak survey;
 - Documentation showing a description of any repairs that have been made as a result of the leak survey, the cost of the repairs, and proof of payment; and
 - A detailed description of any future repairs that the Utility anticipates making as a result of the leak survey, including itemized bids or quotes showing the expected cost of the repairs.
 - If Sunrise has scheduled a leak survey, but the leak survey has not yet occurred, please provide the date the leak survey is expected to be conducted.
 - If Sunrise has not scheduled a leak survey, please describe any work Sunrise has performed or plans to perform in order to isolate the cause of the excessive unaccounted for water.

Utility Billing & Customer Service

- 15. Hours of Operation.** The Utility's bill indicates phone hours are from 11 a.m. to 2 p.m., Monday through Friday. In the event of an emergency, how do customers get in contact with Sunrise after hours?
- 16. Customer Service.** A customer of the utility provided a copy of its April bill and a copy of the check for that bill. A review of the bill indicates that the payment due date was on April 26, 2015. According to the customer, the payment was mailed to a post office box on April 25, 2015. The check cleared the customer's account on April 29, 2015. On May 1, 2015, someone other than utility personnel made a premise visit for payment of April's bill. Furthermore, a late payment charge was applied to the customer's account for the April bill. Staff has several follow-up questions in order to resolve the customer's concerns. Please provide the following information:
- a. Please describe in detail, Sunrise's billing practice when a payment due date is on a weekend?
 - b. How often does Sunrise check its post office box?
 - c. According to a letter by Sunrise dated May 26, 2015, customers have the option to pay their utility bills in person at the home of Melissa Owens, Sunrise's Office Manager, until 9:00 p.m. At the customer meeting, some customers expressed they are not allowed to come to Ms. Owens' home. However, Ms. Owens offers to pick up the payment and at that time a premise visit charge is assessed. Please explain in detail whether or not customers have the option to take a payment to Ms. Owens' home and avoid paying a premise visit charge.
 - d. Please explain in detail why non-utility personnel is collecting payments from customers.
 - e. Prior to making collection efforts, is the utility verifying the status of customers' accounts? Please explain in detail why a premise visit was made to a customer who had already paid.
- 17. Premises Visit Fee in Lieu of Disconnection.** Please provide a list of all premises visit fees that have been charged to Sunrise customers from January 1, 2015 to the present. Please include:
- a. The Customer's name and address;
 - b. The date each customer's payment was due;
 - c. The date each customer's water service was due to be disconnected for non-payment;
 - d. The date each customer's payment was received;
 - e. A copy of the disconnection notice that was sent to each customer;
 - f. The date a Sunrise representative visited each customer's premises; and
 - g. Whether a Sunrise representative was at the customer's address to complete the scheduled disconnection or to respond to a customer's request related to a pending disconnection.

140220-WU Sunrise Utilities, L.L.C.
RE: Staff's Third Data Requests
June 9, 2015

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Please file all responses electronically no later than **Wednesday, June 24, 2015**, from the Commission's website at www.floridapsc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form. In addition, please be aware that Staff's Recommendation is scheduled to be filed on August 13, 2015, and will be presented to the Commission at the Commission Agenda Conference on August 27, 2015.

Should you have any questions, please do not hesitate to contact me at (850) 413-6234 or KCorbari@psc.state.fl.us.

Sincerely,

s/ Kelley F. Corbari

Kelley F. Corbari
Senior Attorney

KFC/dml

cc: Office of Commission Clerk

**Attachment A
 Chart of Requested Pro Forma Plant and Expense Items**

Pro Forma Project (as provided by the Utility in the audit and/or second data request response)	Regulatory Mandate or Enhancement	Description of Project Please include the reason the project is needed and/or the benefits to be gained from the project, and whether the project is needed to serve all existing customers, only some existing customers, or future customers.	Scheduled or Anticipated Project Start Date	Estimated Number of Days/Weeks/ Months Required to Complete Project Once Started	Initial Estimate (as provided by the Utility in the audit and/or second data request response)	Bid 1 Amount	Bid 2 & 3 Amounts
Drinking Water Monitoring – Triennial Tests (per audit and data request response)	Mandate (required by Polk County Health Dept. (PCHD) by end of 2015; PCHD strongly recommended that sampling be completed by 9/30/2015)				\$3,500 per audit response and data request response		
Meter Replacement Program (per audit)					\$3,500 per audit response		

Pro Forma Project (as provided by the Utility in the audit and/or second data request response)	Regulatory Mandate or Enhancement	Description of Project Please include the reason the project is needed and/or the benefits to be gained from the project, and whether the project is needed to serve all existing customers, only some existing customers, or future customers.	Scheduled or Anticipated Project Start Date	Estimated Number of Days/Weeks/ Months Required to Complete Project Once Started	Initial Estimate (as provided by the Utility in the audit and/or second data request response)	Bid 1 Amount	Bid 2 & 3 Amounts
Replace existing piping between well and tanks, and replace isolation valves (per audit and data request)	Enhancement				\$6,500 per audit response <i>or</i> \$8,500 per data request response	\$9,000 per Dunham Well Drilling Bid on 5/28/15	
Backflow Prevention Devices (per audit)	Enhancement				\$4,000 per audit response		

Pro Forma Project (as provided by the Utility in the audit and/or second data request response)	Regulatory Mandate or Enhancement	Description of Project Please include the reason the project is needed and/or the benefits to be gained from the project, and whether the project is needed to serve all existing customers, only some existing customers, or future customers.	Scheduled or Anticipated Project Start Date	Estimated Number of Days/Weeks/ Months Required to Complete Project Once Started	Initial Estimate (as provided by the Utility in the audit and/or second data request response)	Bid 1 Amount	Bid 2 & 3 Amounts
Install 4 emergency shut off valve boxes in the main line (per data request response)	Enhancement				\$10,000 per data request response		
Paint Interior of Both Tanks (per data request response)	Mandatory and Enhancement				\$11,500 per data request response	\$21,000 per Dunham Well Drilling Bid on 5/28/15	

Pro Forma Project (as provided by the Utility in the audit and/or second data request response)	Regulatory Mandate or Enhancement	Description of Project Please include the reason the project is needed and/or the benefits to be gained from the project, and whether the project is needed to serve all existing customers, only some existing customers, or future customers.	Scheduled or Anticipated Project Start Date	Estimated Number of Days/Weeks/ Months Required to Complete Project Once Started	Initial Estimate (as provided by the Utility in the audit and/or second data request response)	Bid 1 Amount	Bid 2 & 3 Amounts
5-Year Capital Improvement Plan to replace piping					\$42,500 (\$8,500 per year for 5 years)		