

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: December 10, 2015
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Clayton Lewis, US Engineering Specialist, Division of Engineering *CKL*
RE: Docket No. 140219-WU - Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.
Docket No. 140220-WU - Application for staff-assisted rate case in Polk County by Sunrise Utilities, L.L.C.

This is a "REVISED" filing for documents that were presented at the informal meeting between Commission Staff and Office of Public Counsel due to pages that were scanned out of order.

Thank you.

Alturas: Staff Concerns

1. A Consent Order is being issued by Polk County Health Department (PCHD). The PCHD will meet with the Utility on January 14, 2016.
2. Documentation needed to verify 4-year rate reduction was implemented as ordered in prior rate case.
3. No support for financing of pro forma projects.
4. Insufficient progress to include pending portion of triennial tests (Sunrise and Alturas) and hydropneumatic tank inspection (Alturas) in Phase I.
5. Insufficient or incomplete support for several requested pro forma projects.
6. Insufficient support for some expenses, including new contractual service providers.
7. Unresolved customer deposit refunds (potentially affects capital structure and CIAC).
8. Apparent rule violations related to retention and maintenance of accounting records.
9. Insufficient or incomplete support regarding meter replacements.
10. Insufficient or incomplete support for replacement of master flow meter.
11. Charging incorrect miscellaneous service charges.
12. Collection of cash payments from customers.
13. Retention of billing records

Sunrise: Staff Concerns

1. A Consent Order is being issued by Polk County Health Department (PCHD). The PCHD will meet with the Utility on January 14, 2016.
2. Documentation needed to verify rate increase as ordered from prior rate case was completed.
3. Bids or invoices for repair of distribution piping valves, and other pro forma projects.
4. Insufficient progress to include pending portion of triennial tests.
5. Insufficient support for some expenses, including new contractual service providers.
6. Unresolved customer deposit refunds (potentially affects capital structure and CIAC).
7. Apparent rule violations related to retention and maintenance of accounting records.
8. Insufficient or incomplete support regarding meter replacements.
9. Sunrise land ownership not corrected.
10. Charging incorrect miscellaneous service charges.
11. Collection of cash payments from customers.
12. Retention of billing records.
13. Failure to respond to staff inquiries concerning customer complaints in a timely manner.

**OPC'S PRIMARY SUNRISE & ALTURAS
CONCERNS BASED ON 2014 TEST YEAR**

- Quality of Service
- Salaries
- Contractual Services
- Bad Debt Expense

Quality of Service

- *Customer Service*
 - Customers are unable to reach utility representatives;
 - Poor billing and collection practices;
 - Utility employees are not perceived as trustworthy;
 - Customer deposits not refunded, no interest paid; and
 - Overall quality of service was found to be “marginal” in 2012.

Quality of Service

- *Quality of Water*

- Customers have complained about the following issues:

1. Undrinkable water;
2. High chlorine dosages in the drinking water;
3. Water outages;
4. Boil water notices;
5. Isolation valves;
6. Double billing and meter reading issues; and
7. Training/education for the system's personnel.

- The utility has received 2 recent warnings from DEP related to:

1. Failed water inspections (lack of chlorine); and
2. Failure to pay annual fees for its operating license.

OPC's Quality of Service Recommendations

- Based on the unsatisfactory quality of service for these utilities, the operating ratio should be reduced from 10% to 9% for Phase I rates;
- The reduction will provide an incentive for the utility to complete the required work prior to the implementation of Phase II rates;
- Sunrise should be required to provide quarterly benchmark reports for a period of 1 year following the implementation of Phase II rates; and

OPC's Quality of Service Recommendations

- These reports should provide quarterly updates and detail on all required work, including the following:
 - Plant improvements completed;
 - All customer complaints and resolutions;
 - Any changes in operations (operator, bookkeeper, manager, etc.); and
 - Status update on DEP issues (testing, plant conditions, etc.).

Salaries

- Staff reports include \$15,468 for the primary officer based on the amount approved in the last rate case;
- The accounting records are substantially deficient; and
- Based on the deficiencies and staff's recommendation for a bookkeeper, it appears that the president's duties have been reduced. Therefore, the president's salary should be re-evaluated.

Contractual Services

- The utility has requested expenses for:
 - Salary for president;
 - Salary for utility operator;
 - Salary for office manager;
 - Accounting fees; and
 - Meter reading and billing.
- These expenses should be examined to avoid duplication of duties.

Bad Debt Expense

- The Sunrise staff report listed \$4,509 in bad debt expense based on a 3-year average;
- This amount is 5% of the recommended revenue requirement;
- OPC believes that large write-offs may be the result of errors in the recording of cash payments and poor bookkeeping practices; and
- OPC believes that bad debt expense should not exceed 1%.