

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: January 9, 2019

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Margo A. DuVal, Senior Attorney, Office of the General Counsel *MS* *TA*

RE: Docket No. 20140219-WU - Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

Attached, please find a Notice of Noncompliance, dated June 12, 2018. This Notice was issued to Alturas Utilities, L.L.C., on June 12, 2018. Staff intended to file this document in the above-referenced docket file at that time as well. Please place this document in the "Documents" section of Docket No. 20140219-WU. Please let me know if you have any questions.

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

STATE OF FLORIDA



OFFICE OF THE GENERAL COUNSEL
KEITH C. HETRICK
GENERAL COUNSEL
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Public Service Commission

NOTICE OF NONCOMPLIANCE

June 12, 2018

Mr. Stuart Sheldon
Alturas Utilities, L.L.C.
20 West Tropical Way
Ft. Lauderdale, FL 33317
stuart@hmoskowitzcpa.com

via Email, U.S. Mail, and Certified Mail

Mr. Leslie Szabo
Alturas Utilities, L.L.C.
P.O. Box 2608
Eaton Park, FL 33840
l.szabo@rogers.com

Re: Alturas Utilities, L.L.C. – Noncompliance with Sections 350.113, 367.111, 367.145, and 367.156, Florida Statutes, Rules 25-22.032, 25-30.110, 25-30.120, 25-30.125, 25-30.130, 25-30.145, 25-30.261, 25-30.265, 25-30.267, 25-30.311, 25-30.320, 25-30.330, 25-30.335, 25-30.355, and 25-30.360, Florida Administrative Code, and Order PSC-16-0128-PAA-WU, and possible implementation of show cause proceedings against Alturas Utilities, L.L.C., pursuant to Section 367.161, Florida Statutes.

Dear Sirs:

Section 367.011, Florida Statutes (F.S.), provides that under Chapter 367, F.S., the Florida Public Service Commission (Commission) shall have exclusive jurisdiction over each water and wastewater utility with respect to its authority, service, and rates. In June 2017, the Commission's Office of Auditing and Performance Analysis published its Management Audit of Alturas Utilities, L.L.C. and Sunrise Utilities, L.L.C. (Management Audit).¹ A review of the Management Audit and Commission records indicates that Alturas Utilities, L.L.C. (Alturas or Utility) may be in noncompliance with several Commission-related statutes and rules, along with Order No. PSC-16-0128-PAA-WU.² If a utility fails to comply with Commission statutes, rules, and/or orders, Section 367.161, F.S., authorizes the Commission to take enforcement action,

¹ See Attachment A - Management Audit of Alturas Utilities, L.L.C. and Sunrise Utilities, L.L.C.

² See Attachment B - Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.*

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including the collection of penalties or revocation of a utility's certificate of authorization. Section 367.161, F.S., provides:

- (1) If any utility, by any authorized officer, agent, or employee, knowingly refuses to comply with, or willfully violates, any provision of this chapter or any lawful rule or order of the commission, such utility shall incur a penalty for each such offense of not more than \$5,000, to be fixed, imposed, and collected by the commission. However, any penalty assessed by the commission for a violation of s. 367.111(2) shall be reduced by any penalty assessed by any other state agency for the same violation. Each day that such refusal or violation continues constitutes a separate offense. Each penalty shall be a lien upon the real and personal property of the utility, enforceable by the commission as statutory liens under chapter 85. The proceeds from the enforcement of any such lien shall be deposited into the General Revenue Fund.

- (2) The commission has the power to impose upon any entity that is subject to its jurisdiction under this chapter and that is found to have refused to comply with, or to have willfully violated, any lawful rule or order of the commission or any provision of this chapter a penalty for each offense of not more than \$5,000, which penalty shall be fixed, imposed, and collected by the commission; or the commission may, for any such violation, amend, suspend, or revoke any certificate of authorization issued by it. Each day that such refusal or violation continues constitutes a separate offense. Each penalty shall be a lien upon the real and personal property of the entity, enforceable by the commission as a statutory lien under chapter 85. The collected penalties shall be deposited into the General Revenue Fund unallocated.

This Notice of Noncompliance addresses Alturas's apparent violations of: (1) Section 367.111(2), F.S., for failure to provide safe, efficient, and sufficient service; (2) Order No. PSC-16-0128-PAA-WU, for failure to complete Commission-ordered corrective actions; (3) Sections 350.113 and 367.145, F.S., and Rule 25-30.120 Florida Administrative Code (F.A.C.), for failure to submit Regulatory Assessment Fees; (4) Rule 25-30.110, F.A.C., for failure to submit its Annual Report; (5) Section 367.156(1), F.S., for failure to provide Commission staff with access to the Utility's records; (6) Rule 25-30.311, F.A.C., for failure to properly handle customer deposits; (7) Rule 25-30.360, F.A.C., for failure to issue customer refunds; (8) Rule 25-30.320, F.A.C., for improperly refusing or discontinuing service to customers; (9) Rules 25-22.032, 25-30.130, and 25-30.355, F.A.C., for failure to properly handle customer complaints; (10) Rule 25-30.335, F.A.C., for improper customer billing practices; (11) Rules 25-30.261, 25-30.265, and 25-30.267, F.A.C., for failure to properly read, inspect, and test its meters and failure to maintain its records of meter tests; (12) Rule 25-30.330, F.A.C., for failure to provide information to customers; and (13) Rule 25-30.125, F.A.C., for failure to maintain system maps and records.

In compliance with Section 120.695(2)(a), F.S., Alturas's apparent noncompliance with the Commission's statutes, rules, and Order No. PSC-16-0128-PAA-WU is outlined below:

1. Safe, Efficient, and Sufficient Service

Applicable Law

Pursuant to Section 367.111(2), F.S., each water and wastewater utility subject to the Commission's jurisdiction shall provide each person reasonably entitled thereto such safe, efficient, and sufficient service as is prescribed by Part VI of Chapter 403, F.S., known as the Florida Safe Drinking Water Act, or rules adopted pursuant thereto. Section 367.111(2), F.S., further provides that such service shall not be less safe, less efficient, or less sufficient than is consistent with the approved engineering design of the system and the reasonable and proper operation of the utility in the public interest.

Factual Allegations

On or about January 11, 2012, the Florida Department of Health in Polk County (Health Department) issued an engineering report (Engineering Report) based on Alturas's required 5-year engineering tank inspection.³ The Engineering Report included recommended repairs to be made and required actions to be taken by Alturas.⁴ The Health Department provided Alturas with Warning Notices regarding related rule violations on or about November 14, 2016, and January 18, 2017.⁵

On or about September 28, 2017, Alturas admitted to multiple violations of Chapter 62, Florida Administrative Code (F.A.C.), and entered into a Consent Order (2017 Consent Order) with the Health Department for the maintenance, upgrade, and repair of the Public Water System (PWS), to include replacement of the water holding and treatment tank, with the initial steps to be completed by November 31, 2017.⁶

On March 23, 2018, the Health Department filed a Petition for Enforcement of Agency Action (Petition) in the Circuit Court of the Tenth Judicial Circuit in Polk County.⁷ In its Petition, the Health Department stated that Alturas failed to adhere to the stipulated schedule for PWS system repairs, failed to complete any of the tasks required pursuant to the 2017 Consent Order, and failed to correct any of the violations identified within the 2017 Consent Order.⁸ Additionally, the Health Department stated that Alturas has failed to complete any of the recommended or required tasks included in the Engineering Report and continues to willfully operate its system in violation of these recommendations and Florida law. The Health Department further averred that:

³ See Attachment C – Health Department's Petition for Enforcement of Agency Action and Verified Complaint for Injunctive Relief.

⁴ See Attachment C.

⁵ See Attachment C.

⁶ See Attachment A & Attachment C.

⁷ See Attachment C.

⁸ See Attachment C.

Inasmuch as the PWS continues to operate in disrepair and neglect, [Alturas] continues to jeopardize the public health of its [c]ustomers by failing to correct its facility in accordance with the [2017] Consent Order and maintain it according to [Florida Department of Environmental Protection] Rules and standards.⁹

Based on the foregoing, it appears that Alturas may be operating in violation of Section 367.111(2), F.S., because the Utility may not be providing each person reasonably entitled thereto such safe, efficient, and sufficient service as is prescribed by the Florida Safe Drinking Water Act.

Corrective Action Required

In order to bring itself into compliance with Section 367.111(2), F.S., Alturas must immediately satisfy the requirements of the 2017 Consent Order. If Alturas does not satisfy the requirements of the 2017 Consent Order by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

2. Order No. PSC-16-0128-PAA-WU

Applicable Law

Pursuant to Section 367.011(2), F.S., the Commission has exclusive jurisdiction over each water and wastewater utility with respect to its authority, service, and rates. Pursuant to Section 367.161, F.S., if any utility knowingly refuses to comply with, or willfully violates, an order of the Commission, such utility shall incur a penalty for each such offense of not more than \$5,000, to be fixed, imposed, and collected by the Commission.

Factual Allegations

By Order No. PSC-16-0128-PAA-WU, issued on March 29, 2016, the Commission ordered Alturas to complete the following corrective actions:

1. File six monthly status reports, beginning April 15, 2016, to provide the status of its progress to repair or replace its master flow meter.

⁹ See Attachment C.

2. File written documentation by December 31, 2016, showing that Alturas corrected the land ownership issue involving Sunrise Utilities, L.L.C.
3. File documentation by December 31, 2016, showing that pro forma trihalomethane and haloacetic acid tests have been completed, including a copy of the test results and final invoices.
4. File six monthly status reports, beginning April 15, 2016, to provide the status of its contractual service providers, including the name and position of each contractual service provider currently providing services for the Utility.
5. Continue working on complying with Rule 25-30.311, F.A.C. Complete customer deposit refunds within three months of the issuance of the Order becoming final. Reconcile its customer deposit accounts and records within a reasonable time. Provide monthly reports, beginning April 15, 2016, until it has satisfactorily refunded the appropriate amount of customer deposits and applied the appropriate interest on customer deposits.
6. Refund its customers the amount of rate case expenses the Utility over-collected in its 2009 staff-assisted rate case, in accordance with Rule 25-30.360, F.A.C. File monthly reports on the status of the refund by the 20th of the following month, pursuant to Rule 25-30.311(7), F.A.C. File monthly reports, beginning April 20, 2016, until the Utility satisfactorily refunded the appropriate amount of rate case expenses it over-collected.
7. Provide proof, within 90 days of the effective date of the final order, that the adjustments for all applicable NARUC USOA primary accounts have been made to the Utility's books and records.¹⁰

A review of the Management Audit and Commission records indicates that Alturas apparently failed to: (1) provide documentation showing that pro forma trihalomethane and haloacetic acid tests have been completed, thereby preventing Commission staff from verifying actual testing expenses; (2) provide the status of its contractual service providers, including the name and position of each contractual service provider currently providing services for the Utility, in six monthly status reports, beginning April 15, 2016; (3) reconcile its customer deposit accounts and records and provide monthly reports, beginning April 15, 2016, until it satisfactorily refunded the appropriate amount of customer deposits and applied the appropriate interest on customer deposits; and (4) refund its customers the amount of rate case expenses the Utility over-collected in its 2009 staff-assisted rate case.¹¹ Additionally, although Alturas provided a written statement confirming that adjustments for all applicable NARUC USOA primary accounts had been made to the Utility's books and records, Commission staff's review

¹⁰ See Attachment B.

¹¹ See Attachment A.

of the Utility's 2016 Annual Report indicates that Alturas failed to properly adjust its books and records to reflect the Commission-approved balances.¹²

Based on the foregoing, it appears that Alturas may be operating in violation of Order No. PSC-16-0128-PAA-WU, because the Utility has not completed one or more corrective actions required by the Order.

Corrective Action Required

In order to bring itself into compliance with Order No. PSC-16-0128-PAA-WU, Alturas must immediately: (1) provide Commission staff with documentation showing that pro forma trihalomethane and haloacetic acid tests have been completed, including a copy of the test results and final invoices; (2) provide Commission staff with the status of the Utility's contractual service providers, including the name and position of each contractual service provider currently providing services for the Utility; (3) reconcile its customer deposit accounts and records and provide Commission staff with documentation exhibiting that such reconciliation has occurred; (4) refund its customers the amount of rate case expenses the Utility over-collected in its 2009 staff-assisted rate case and provide Commission staff with documentation exhibiting that such refunds have occurred; and (5) adjust the Utility's books and records to reflect the Commission-approved balances pursuant to Order No. PSC-16-0128-PAA-WU and provide Commission staff with documentation exhibiting that such adjustments have been made. If Alturas does not complete the aforementioned activities and/or does not provide Commission staff with the aforementioned information by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

3. Regulatory Assessment Fees

Applicable Law

Pursuant to Sections 350.113 and 367.145, F.S., and Rule 25-30.120, F.A.C., each regulated company under the jurisdiction of the Commission shall pay to the Commission a Regulatory Assessment Fee (RAF) based upon the gross operating revenues for the prior year operating period. Rule 25-30.120, F.A.C., requires that utilities pay a RAF of 4.5 percent of its gross revenues derived from intrastate business, or a minimum of \$25.00 if there are no revenues or if revenues are insufficient to generate above the \$25.00 minimum. Section 350.113(4), F.S., provides for a penalty of 5 percent for the first 30 days, and an additional penalty of "5 percent for each additional 30 days or fraction thereof during the time in which the failure continues, not to exceed a total penalty of 25 percent," and states that "[t]he commission shall collect the fee

¹² See Attachment A.

and penalty, plus interest and all costs of collection, from the regulated company.” Further, Section 367.145(1)(b), F.S., and Rule 25-30.120(7)(b), F.A.C., state that, in addition to the penalties and interest otherwise provided, the Commission may impose a penalty upon a utility for failure to pay RAFs in a timely manner in accordance with Section 367.161, F.S.

Factual Allegations

In November 2014, Alturas negotiated a payment plan with Commission staff to resolve its delinquent RAF for 2013.¹³ Commission records indicate that Alturas has satisfied the terms of the payment plan.

Commission records further indicate that Alturas failed to submit its total RAF owed for 2015 and failed to submit its RAFs for 2016 and 2017.

Based on the foregoing, it appears that Alturas may be operating in violation of Sections 350.113 and 367.145, F.S., and Rule 25-30.120, F.A.C., as the Utility failed to submit its total RAFs for 2015, 2016, and 2017.

Because Alturas failed to fully submit its 2015, 2016, and 2017 RAFs, statutory penalties and interest are also immediately due. As of June 12, 2018, the total amount Alturas owes, plus associated penalties and interest, is \$4,113.80. A breakdown of the amount is shown in the table enclosed with this letter, labeled as Attachment E.¹⁴ Commission staff notes that penalties and interest will continue accruing until Alturas provides payment in full. Therefore, the total amount Alturas owes may become greater than \$4,113.80.

Corrective Action Required

In order to bring itself into compliance with Sections 350.113 and 367.145, F.S., and Rule 25-30.120, F.A.C., Alturas must immediately submit **payment in full** for the RAFs, penalties, and interest for the years 2015, 2016, and 2017. As of June 12, 2018, the total amount Alturas owes is **\$4,113.80**. **However, Alturas should contact Margo DuVal at 850-413-6076 or mduval@psc.state.fl.us to obtain an updated balance prior to submitting its payment.** If payment is not received **in full** by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas’s certificate of authorization, pursuant to Section 367.161, F.S.

¹³ See Attachment A & Attachment D – Payment Plan.

¹⁴ See Attachment E - RAF Payment History & Balance Table.

4. Annual Reports

Applicable Law

Section 367.121(1)(c) and (i), F.S., authorizes the Commission to require utilities subject to its jurisdiction to file such regular financial reports it deems necessary. Rule 25-30.110(3), F.A.C., provides that each utility under the jurisdiction of the Commission shall file an Annual Report on or before March 31st, for the preceding year ending December 31st. Rule 25-30.110(3)(c), F.A.C., provides that a utility's request for an extension of time must be submitted no later than March 31st. The standard penalty for delinquent Annual Reports is \$3 per day for a Class C utility, pursuant to Rule 25-30.110(7), F.A.C.

Factual Allegations

A review of Commission records indicates that, as of June 12, 2018, Alturas has not submitted its 2017 Annual Report. Additionally, as of June 12, 2018, Alturas has not submitted a request for an extension of time to submit its 2017 Annual Report. Alturas has a history of failing to timely submit its Annual Reports to the Commission; however, in previous years, the Utility eventually brought itself into compliance by submitting its Annual Reports and the appropriate late fees prior to its failure to submit its 2017 Annual Report.¹⁵

Based on the foregoing, it appears that Alturas may be operating in violation of Rule 25-30.110(3), F.A.C., as the Utility failed to submit its 2017 Annual Report and failed to timely request an extension of time to submit its 2017 Annual Report.

Because Alturas failed to timely submit its 2017 Annual Report, penalties are also due. As of June 12, 2018, the total amount Alturas currently owes for failing to timely submit its 2017 Annual Report is **\$219.00**. A breakdown of the amount is shown in the table in below.

YEAR	DATE DUE	DATE SUBMITTED	DAYS LATE	PENALTY (\$3 per day)
2017	03/31/2018	N/A	73	\$219.00

Commission staff notes that penalties will continue accruing until Alturas provides payment in full. Therefore, the total amount Alturas owes may become greater than \$219.00.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.110(3), F.A.C., Alturas must immediately submit its 2017 Annual Report, along with penalties. As of June 12, 2018, the total amount Alturas currently owes for failing to timely submit its 2017 Annual Report is **\$219.00**. **However, Alturas should contact Margo DuVal at 850-413-6076 or mduval@psc.state.fl.us to obtain an updated balance prior to submitting its payment.** If payment is not received in

¹⁵ See Attachment A.

full by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

5. Access to Records

Applicable Law

Pursuant to Section 367.156(1), F.S., the Commission shall continue to have reasonable access to all utility records regarding transactions or cost allocations among the utility and such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities. Rule 25-30.145, F.A.C., addresses the reasonable access to utility records for the purposes of management and financial audits. Specifically, Rule 25-30.145(2), F.A.C., states that reasonable access means that a utility's responses to audit requests for access to records shall be fully provided within the time frame established by the auditor.

Factual Allegations

Commission staff initiated its management audit of Alturas in November 2016, and published its opinion and findings in June 2017.¹⁶ During the course of the audit, Commission staff auditors requested access to various Alturas records, including supporting documentation for meters replaced, copies of meter reading logs, and customer bills.¹⁷

A review of the Management Audit and Commission records indicates that Alturas's management failed to provide the requested records to Commission staff.¹⁸

Based on the foregoing, it appears that Alturas may be operating in violation of Section 367.156(1), F.S., because the Utility may be preventing the Commission from having reasonable access to all Utility records necessary to ensure that the Utility's ratepayers are not subsidizing nonutility activities. It further appears that Alturas may be operating in violation of Rule 25-30.145(2), F.A.C., because the Utility failed to provide responses to audit requests for access to records within the time frame established by the auditor.

Corrective Action Required

In order to bring itself into compliance with Section 367.156(1), F.S., and Rule 25-30.145(2), F.A.C., Alturas must immediately provide Commission staff with access to its

¹⁶ See Attachment A.

¹⁷ See Attachment A.

¹⁸ See Attachment A.

documentation for meters replaced, copies of meter reading logs, and customer bills. If Alturas does not provide Commission staff with access to its documentation for meters replaced, copies of meter reading logs, and customer bills by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

6. Customer Deposits

Applicable Law

Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(3), F.A.C., requires that a utility that holds customer deposits shall keep records to show the name of each customer making the deposit, the premises occupied by the customer when the deposit was made, the date and amount of deposit, and a record of each transaction concerning such deposit. Rule 25-30.311(4), F.A.C., requires that each water and wastewater utility that requires deposits to be made by its customers shall pay a minimum interest on such deposits of 2 percent per annum. Furthermore, Rule 25-30.311(5), F.A.C., requires that the utility shall refund the residential customer's deposits after a customer has established a satisfactory payment record and has had continuous service for a period of 23 months.

Factual Allegations

Pursuant to Order No. PSC-16-0128-PAA-WU, the Commission noted that Alturas failed to properly record the amount of each deposit, failed to pay the appropriate amount of interest on customer deposits, and failed to refund residential customer deposits after 23 months, in violation of Rule 25-30.311, F.A.C.¹⁹ The Commission further found that Alturas was moving forward to make corrective actions to resolve the issues regarding the customer deposits.²⁰ Therefore, the Commission stated that enforcement action against Alturas was not warranted at that time.²¹ However, Alturas was put on notice that if the Utility did not resolve the customer deposit errors within a reasonable time and/or its deposit records were found to be out of compliance with Commission regulations in the future, Alturas may be subject to a show cause proceeding.²²

¹⁹ See Attachment B.

²⁰ See Attachment B.

²¹ See Attachment B.

²² See Attachment B.

A review of the Management Audit and Commission records indicates that Alturas failed to comply with Commission audit staff's request to provide customer deposit records.²³

Based on the foregoing, it appears that Alturas may still be operating in violation of Rule 25-30.311, F.A.C., because the Utility may still be failing to properly record the amount of each deposit, failing to pay the appropriate amount of interest on customer deposits, and failing to refund residential customer deposits after 23 months.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.311, F.A.C., Alturas must immediately provide Commission staff with: (1) a copy of Alturas' Current Customer Deposit Report that shows all customer deposits that are currently being held by the Utility; (2) a copy of all Transaction Reports that show interest payments made to customers from August 2015 through May 2018; (3) a copy of customer billing documentation that demonstrates that each customer whose deposit is currently being held and has been held in excess of 23 months met one or more of the conditions outlined in Rule 25-30.311(5), F.A.C.; and (4) a copy of the calculations and billing documentation that were used to calculate any additional deposits that were charged from January 2017 through May 2018 pursuant to Rule 25-30.311(7), F.A.C. If Alturas does not submit its customer deposit records and all other requested documents by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

7. Customer Refunds

Applicable Law

Rule 25-30.360, F.A.C., requires that refunds ordered by the Commission must be made within 90 days of the Commission's order, unless otherwise prescribed by the Commission.

Factual Allegations

Pursuant to Order No. PSC-16-0128-PAA-WU, the Commission noted that Alturas indicated that it issued refunds to customers for over-collection of rate case expense related to its 2009 staff-assisted rate case, but failed to provide staff with the requested corroborating documentation.²⁴ Furthermore, by Order No. PSC-16-0128-PAA-WU, the Commission ordered Alturas to issue the refunds to its customers in accordance with Rule 25-30.360, F.A.C.

²³ See Attachment A.

²⁴ See Attachment B.

A review of the Management Audit and Commission records indicates that Alturas still has not provided documentation of such refunds.²⁵

Based on the foregoing, it appears that Alturas may still be operating in violation of Rule 25-30.360, F.A.C., because the Utility may have failed to issue refunds to customers within 90 days of the Commission's order.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.360, F.A.C., Alturas must immediately provide Commission staff with a copy of its billing records that show that the over-collected rate case expense was refunded to its customers and the date(s) those refunds were issued. If Alturas does not submit the requested documents by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

8. Refusal or Discontinuance of Service

Applicable Law

Pursuant to Rule 25-30.320, F.A.C., a utility has the right to refuse or discontinue a customer's service under several specified conditions. Rule 25-30.320(2)(g), F.A.C., provides that a utility must provide at least 5 working days' written notice, apart from any bill for service, before it refuses or discontinues service to a customer for nonpayment of bills.

Factual Allegations

Pursuant to Order No. PSC-16-0128-PAA-WU, the Commission stated that, based on its review, Alturas appeared to be in violation of Rule 25-30.320, F.A.C.²⁶

A review of the Management Audit and Commission records indicates that the Commission has received one or more complaints regarding allegations of wrongful disconnections of service.²⁷ The Management Audit further reflects that it appears that customers may be disconnected in error as a result of errors in meter reading, customer billing, notices of disconnection, and customer payment processing operations.²⁸

²⁵ See Attachment A.

²⁶ See Attachment B.

²⁷ See Attachment A.

²⁸ See Attachment A.

Based on the foregoing, it appears that Alturas may be operating in violation of Rule 25-30.320, F.A.C., because the Utility may still be improperly refusing or discontinuing service to its customers.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.320, F.A.C., Alturas must immediately cease its apparent practice of improperly refusing or discontinuing service to its customers, if it has not already done so. Accordingly, Alturas must provide Commission staff with a written statement confirming that the Utility has ceased its apparent practice of improperly refusing or discontinuing service to its customers. Furthermore, Alturas must provide Commission staff with: (1) a copy of all disconnection notices that were sent to Alturas' customers from June 2017 through May 2018; (2) a copy of each delinquent customer bill that resulted in a disconnection notice being sent that shows the date the bill was issued and the date the payment was due; (3) a copy of Alturas' bill payment records that indicate the date each delinquent bill was paid; and (4) a copy of each customer's subsequent bill or Alturas' billing records that show all miscellaneous service charges that were charged to those customers due to the delinquent bills and disconnections. If Alturas does not cease its apparent practice of improperly refusing or discontinuing service to its customers and/or does not provide the requested documents to Commission staff by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

9. Customer Complaints

Applicable Law

Pursuant to Rule 25-30.130(1), F.A.C., each water and wastewater utility shall maintain a record of each signed, written complaint received from any of that utility's customers. Rule 25-30.130(2), F.A.C., requires that the record include the name and address of the complainant, the nature of the complaint, the date received, the result of the investigation, the disposition of the complaint, and the date of the disposition of the complaint.

Pursuant to Rule 25-30.355(1), F.A.C., water and wastewater utilities shall make a full and prompt acknowledgement and investigation of all customer complaints and shall respond fully and promptly to all customer requests. Rule 25-30.355(3), F.A.C., requires that water and wastewater utilities must reply to inquiries by the Commission's staff within 15 days from the date of the inquiry and shall be in writing, if requested.

Rule 25-22.032(6)(b), F.A.C., states that a utility must respond to a customer complaint received by the Commission by contacting the customer within 15 working days after receiving

the complaint from Commission staff and providing a written response to the complaint to Commission staff within 15 working days after receiving the complaint from Commission staff. Further, Rule 25-22.032(6)(c), F.A.C., provides that a utility's response to Commission staff shall include an explanation of the likely cause of the problem, an explanation of all actions taken to resolve the complaint, an explanation of the utility's resolution or proposed resolution of the complaint, answers to any specific questions raised by Commission staff, and any letters or emails sent to the customer that contain the utility's proposed resolution or statement of position on the complaint.

Factual Allegations

A review of the Management Audit and Commission records indicates that Alturas failed to comply with Commission audit staff's request to provide a written description of the current processes for handling, responding to, and documenting resolution of customer calls or letters regarding issues and complaints received directly by the Utility.²⁹ Additionally, a review of the Management Audit and Commission records indicates that, from 2011 through March 31, 2017, Alturas apparently failed to respond to 4 out of 12 customer complaints within the required 15 working days after receiving the complaint from Commission staff.³⁰ Furthermore, the Management Audit indicates that Alturas's responses to customer complaints often appear to lack thoroughness, contain argumentative statements, and fail to provide available documentation.³¹

A review of Commission records indicates that the Commission received at least one customer complaint after March 31, 2017 through June 12, 2018.³² A review of that complaint indicates that Alturas may have failed to contact the customer within 15 working days after receiving the complaint from Commission staff.³³ Moreover, Alturas's response to Commission staff appears to lack thoroughness, contain argumentative statements, and fail to provide documentation.³⁴

Pursuant to Order No. PSC-16-0128-PAA-WU, the Commission noted that a show cause proceeding may be initiated against the Utility should Alturas continue to show a pattern of non-responsiveness to the Commission's inquiries.³⁵

Based on the foregoing, it appears that Alturas may be operating in violation of Rule 25-30.130, F.A.C., because the Utility may not be maintaining a record of complaints in compliance with the Commission's rules. Moreover, although it appears that the Utility has provided responses to customer complaints and related Commission staff inquiries, Alturas has exhibited a pattern of apparent noncompliance with the provisions of Rules 25-30.355 and 25-22.032,

²⁹ See Attachment A.

³⁰ See Attachment A.

³¹ See Attachment A.

³² See Attachment F – Customer Complaint.

³³ See Attachment F.

³⁴ See Attachment F.

³⁵ See Attachment B.

F.A.C., as it often provides responses that appear to be untimely, incomplete, argumentative, and lacking available documentation.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.130, F.A.C., Alturas must immediately begin maintaining a record of complaints that conforms with the rule. In order to bring itself into compliance with Rules 25-30.355 and 25-22.032, F.A.C., Alturas must begin providing customers and Commission staff with timely complaint responses that are thorough and contain the appropriate documentation. Additionally, Alturas must provide Commission staff with a written description of its current processes for handling, responding to, and documenting resolution of customer calls or letters regarding issues and complaints received directly by the Utility. Alturas must also provide Commission staff with a copy of its records of all customer complaints received directly by the Utility from June 2017 through May 2018, including documentation showing the Utility's responses to those customers and actions taken to resolve the complaints. If Alturas does not begin maintaining an appropriate record of complaints, does not begin providing customers and Commission staff with appropriate responses to customer complaints, and/or does not provide the requested information to Commission staff by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

10. Customer Billing

Applicable Law

Rule 25-30.335, F.A.C., outlines the appropriate methods by which a water or wastewater utility should conduct its customer billing practices. Rule 25-30.335(1), F.A.C., provides that a water or wastewater utility shall render customer bills at regular intervals and that each bill shall indicate the billing period covered, the applicable rate schedule, the beginning and ending meter reading, the amount of the bill, the delinquent date or the date after which the bill becomes past due, and any authorized late payment charge. Rule 25-30.335(2)(a), F.A.C., requires a utility to prominently show the word "Estimated" on the face of an estimated bill statement. Further, Rule 25-30.335(4), F.A.C., states that a utility may not consider a customer delinquent in paying his or her bill until the 21st day after the utility has mailed or presented the bill for payment.

Factual Allegations

A review of the Management Audit and Commission records indicates that Alturas failed to comply with Commission audit staff's request to review a broad sample of customer bills to

fully assess adherence with Rule 25-30.335, F.A.C.³⁶ Additionally, the Management Audit indicates that Alturas may fail to inform customers if their bill is estimated.³⁷

A review of Commission records indicates that the Commission received at least one customer complaint after March 31, 2017 through June 12, 2018.³⁸ A review of that complaint indicates that Alturas's customer billing practices may still be out of compliance with Rule 25-30.335, F.A.C.³⁹

Based on the foregoing, it appears that Alturas may be operating in violation of Rule 25-30.335, F.A.C., because the Utility may not be informing customers if their bill is estimated and may be issuing bills that do not conform with the requirements of the rule.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.335, F.A.C., Alturas must immediately begin informing customers if their bill is estimated. Alturas must also submit the following documentation to Commission staff so that staff may fully assess Alturas's compliance with the rule: (1) a copy of all customer bills that were estimated from June 2017 through May 2018; (2) a copy of any additional documentation that was provided to those customers to inform each of them that their bill was estimated; and (3) documentation stating the reason why each of those bills was estimated and a description of any actions taken by the Utility to resolve the issue(s) that made it necessary to estimate each of those bills. If Alturas does not perform the aforementioned actions and/or does not submit the requested documents by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

11. Meters

Applicable Law

Rule 25-30.261(1), F.A.C., states that water and wastewater utilities must read their service meters at regular intervals and, insofar as practicable within regularly scheduled work days, on the corresponding day of each meter reading period. Further, Rule 25-30.261(2), F.A.C., imparts that water and wastewater utilities must read the register of each meter in the

³⁶ See Attachment A.

³⁷ See Attachment A.

³⁸ See Attachment F.

³⁹ See Attachment F.

same units that the utility uses for billing purposes, except that a water meter may register in gallons or in cubic feet.

Pursuant to Rule 25-30.265, F.A.C., each utility shall inspect and test a representative sample of its meters in service at least once every 10 years for 5/8" size meters. Additionally, Rule 25-30.267, F.A.C., requires that each utility is responsible for the preservation of the original records of all meter tests.

Factual Allegations

A review of the Management Audit and Commission records indicates that Alturas failed to comply with Commission audit staff's request to review copies of its meter reading logs for the three most recent billing cycles as of the audit.⁴⁰ Furthermore, Commission staff's review of information gathered through the audit process, along with information provided in customer complaints, reflects that the Utility may not be performing its meter readings in compliance with Commission rules.⁴¹ Similarly, a review of the Management Audit indicates that Alturas's responses to staff's data requests indicate that the Utility may not be inspecting and testing its meters or keeping records of such tests in compliance with Commission rules.⁴²

A review of Commission records indicates that the Commission received at least one customer complaint after March 31, 2017 through June 12, 2018.⁴³ A review of that complaint indicates that Alturas may not be properly inspecting and testing its meters in service.⁴⁴

Based on the foregoing, it appears that Alturas may be operating in violation of Rules 25-30.261, 25-30.265, and 25-30.267, F.A.C., because the Utility may not be reading its meters at regular intervals, may not be reading its meters in the appropriate units, may not be properly inspecting and testing its meters in service, and may not be appropriately preserving its original records of all meter tests.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.261, F.A.C., Alturas must immediately begin reading its meters at regular intervals and in the appropriate units. Alturas must also provide Commission staff with copies of its meter reading logs for the three most recent billing cycles so that staff may fully assess Alturas's compliance with the rule. In order to bring itself into compliance with Rules 25-30.265, and 25-30.267, F.A.C., Alturas must immediately begin properly inspecting and testing its meters in service and properly preserving its records of all meter tests. Alturas must also provide Commission staff with a written description of its efforts to begin properly inspecting and testing its meters in service and properly preserving its records of all meter tests. Additionally, Alturas must provide

⁴⁰ See Attachment A.

⁴¹ See Attachment A.

⁴² See Attachment A.

⁴³ See Attachment F.

⁴⁴ See Attachment F.

Commission staff with a copy of its meter records from June 2017 through May 2018 that documents all meter inspections, meter tests, meter repairs, and meter replacements that were performed during that time. If Alturas does not perform the aforementioned actions and/or does not submit the requested documents by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

12. Information to Customers

Applicable Law

Pursuant to Rule 25-30.330, F.A.C., each water and wastewater utility shall provide its customers, on at least an annual basis, with telephone numbers for regular and after hours.

Factual Allegations

A review of the Management Audit and Commission records indicates that Alturas does not appear to maintain a dedicated telephone line for regular hours.⁴⁵

Based on the foregoing, it appears that Alturas may be operating in violation of Rule 25-30.330, F.A.C., because the Utility may not be providing its customers with a telephone number for regular hours.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.330, F.A.C., Alturas must immediately obtain and maintain a telephone number for regular hours and provide the number to the Utility's customers and Commission staff. If Alturas does not obtain and maintain a telephone number for regular hours and/or does not provide the number to the Utility's customers and Commission staff by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

⁴⁵ See Attachment A.

13. System Maps and Records

Applicable Law

Pursuant to Rule 25-30.125, F.A.C., a utility shall maintain suitable maps, drawings, and/or records of its system and facilities at its principal office within the State of Florida. Additionally, the maps, drawings, and/or records must show size, location, character, date of installation and installed cost of major items of plant and extension of facilities.

Factual Allegations

A review of the Management Audit and Commission records indicates that during the processing of its recent staff-assisted rate case, Alturas informed Commission staff that it did not possess system maps.⁴⁶ The Management Audit reflects that staff provided Alturas with an outdated system map and requested that the Utility update it; however, Alturas apparently returned the outdated map without making any corrections or updates.⁴⁷

Based on the foregoing, it appears that Alturas may be operating in violation of Rule 25-30.125, F.A.C., because Alturas may not be maintaining suitable water system maps, drawings, and/or records.

Corrective Action Required

In order to bring itself into compliance with Rule 25-30.125, F.A.C., Alturas must immediately provide Commission staff with updated maps, drawings, and/or records of Alturas's water system, and provide a statement that the updated maps, drawings, and/or records are being maintained at the Utility's principal office within the State of Florida. If Alturas does not provide Commission staff with the aforementioned document(s) and statement by July 12, 2018, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas.

Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day the violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate of authorization, pursuant to Section 367.161, F.S.

⁴⁶ See Attachment A.

⁴⁷ See Attachment A.

Alturas Utilities, L.L.C.
Notice of Noncompliance
June 12, 2018
Page 20

To summarize, as of June 12, 2018, the total amount Alturas owes for past due RAFs, plus penalties and interest, for the years 2015, 2016, and 2017, is **\$4,113.80**. Furthermore, as of June 12, 2018, the total amount Alturas owes for failing to submit its 2017 Annual Report is **\$219.00**. **However, Alturas should contact Margo DuVal at 850-413-6076 or mduval@psc.state.fl.us to obtain updated balances prior to submitting its payments.** Payment in full, along with the requested documents and written responses, must be received by the Commission by **July 12, 2018**. Please also provide any mitigating information or circumstances related to Alturas's apparent violations of the aforementioned Commission statutes, rules, and Order No. PSC-16-0128-PAA-WU.

If full payment and the requested documents and written responses are not received by **July 12, 2018**, Commission staff will open an enforcement docket to initiate a show cause proceeding against Alturas. Should Alturas be found in violation of Commission statutes, rules, and/or orders, the Commission may impose fines of up to \$5,000 per violation, for each day each violation continues, levied as a statutory lien upon the real and personal property of the Utility, or the Commission may amend, suspend, or revoke Alturas's certificate, pursuant to Section 367.161, F.S. If necessary, the Commission may also seek injunctive or other appropriate relief in circuit court to compel Alturas's compliance, pursuant to 367.121, F.S.

Should you have questions regarding the matters discussed herein, you may contact me at 850-413-6076 or mduval@psc.state.fl.us.

Sincerely,

/s/ Margo A. DuVal

Margo A. DuVal
Senior Attorney

MAD
Enclosures

cc: Office of Public Counsel (J.R. Kelly/Erik Sayler)
Office of Commission Clerk (20140219)

ATTACHMENT A



MANAGEMENT AUDIT OF
Alturas Utilities, L.L.C.
and
Sunrise Utilities, L.L.C.

JUNE 2017

BY AUTHORITY OF
The Florida Public Service Commission
Office of Auditing and Performance Analysis

MANAGEMENT AUDIT OF
Alturas Utilities, L.L.C.
and
Sunrise Utilities, L.L.C.

Carl Vinson
Public Utilities Supervisor

Jerry Hallenstein
Senior Analyst

Victor Cordiano
Engineering Specialist II

Office of Auditing and Performance Analysis
PA-16-11-005

June 2017

By Authority of
The State of Florida
Public Service Commission
Docket Nos. 140219-WU and 140220-WU

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1.0 Executive Summary

1.1 Introduction and Audit Purpose

Alturas Utilities, L.L.C. (Alturas) and Sunrise Utilities, L.L.C. (Sunrise) are Class C utilities serving water customers in Polk County, Florida. Both utilities have been operating under the Florida Public Service Commission's (FPSC or Commission) jurisdiction since 1997, when Polk County relinquished jurisdiction to the Commission subjecting water utilities to the rules and regulations of Chapter 25-30, Florida Administrative Code (F.A.C.). In addition, the utilities must provide water services that meet the Florida Department of Environmental Protection (DEP) primary and secondary drinking water quality standards.¹ The Commission approved the transfer of the two utilities to the present ownership in 2005.

Alturas' current water treatment plant was placed into service in 1952 and serves approximately 55 residential customers and 10 general service customers in Alturas, Florida. The utility's water supply is obtained from one well and treated with liquid chlorine prior to entering a hydro pneumatic storage tank. The treated water is then pumped from the tank into the water distribution system. In 2016, the utility's total operating revenues were \$29,420 and total operating expenses were \$38,762, resulting in a net operating loss of \$9,342.²

Sunrise's current water treatment plant was placed into service over 40 years ago and serves approximately 246 residential customers in Auburndale, Florida. Sunrise's water supply originates from two wells that pump treated water into two hydro pneumatic storage tanks for distribution. Sunrise's 2016 total operating revenues were \$68,420 and total operating expenses were \$88,402, resulting in a net loss of \$19,982.³

Under a 2014 installment plan negotiated with staff for the payment of delinquent Regulatory Assessment Fees, both utilities filed for Staff Assisted Rate Cases (SARCs). Rates resulting from the utilities' SARCs were approved in March 2016⁴. In the utilities' SARCs, Commission technical staff, Office of Public Counsel (OPC) and customers raised numerous issues regarding the utilities' operations. Concerns included Polk County Health Department (PCHD) violations, insufficient documentation to support certain expenses and pro forma projects, improper handling of customer deposits and refunds, incomplete support regarding meter replacements, incomplete retention of billing and accounting records, inadequate customer service, and failure to timely respond to Commission staff inquiries concerning customer complaints.

In response to these concerns, Commission Orders issued March 28 and 29, 2016, put Alturas and Sunrise on notice that a show cause proceeding may be forthcoming if the following conditions continue to occur:

¹Primary standards protect public health while secondary standards regulate contaminants that may impact the quality of the water (e.g., taste, odor, color).

²Source: Alturas Utilities, L.L.C., 2016 Annual Report filed with the Commission.

³Source: Sunrise Utilities L.L.C., 2016 Annual Report filed with the Commission.

⁴Order No. PSC-16-0128-PAA-WU issued March 28, 2016, Docket No. 140219-WU (Alturas) and Order No. PSC-16-0126-PAA-WU issued March 29, 2016, Docket No. 140220-WU (Sunrise).

- ◆ the utilities' books and records are found in the future to be out of compliance with Commission's rules,
- ◆ the utilities continue to show a pattern of non-responsiveness to the Commission, or
- ◆ the utilities' customers continue to raise valid complaints about payment collection practices.

To address the above concerns, the Commission kept the utilities' SARC dockets (140219-WU and 140220-WU) open to allow the utilities to complete and document the following eight corrective actions:⁵

- ◆ Alturas and Sunrise shall reconcile customer deposit records and file monthly reports with the Commission, beginning April 15, 2016, until it has satisfactorily refunded appropriate customer deposits and interest payments.
- ◆ Alturas and Sunrise shall file documentation by December 31, 2016, showing that the pro forma triaholomethane (TTHM) and haloacetic acid (HAA5) tests have been completed.
- ◆ Alturas and Sunrise shall file six monthly status reports with the Commission, beginning April 15, 2016, to provide the name and position of each contractor providing service to the utility.
- ◆ Alturas and Sunrise shall provide proof that adjustments for all applicable National Association of Regulatory Utility Commissions (NARUC) Uniform System of Accounts (USOA) primary accounts have been made.
- ◆ Alturas shall file six monthly status reports to provide the status of its progress to repair or replace its master flow meter.
- ◆ Alturas and Sunrise shall file written documentation showing that a land ownership issue involving the Alturas warranty deeds has been corrected to ensure that Sunrise has long-term continued use of the land upon which its facilities are located.
- ◆ Alturas shall refund its customers the amount of rate case expenses it over-collected in its 2009 rate case and provide monthly reports on the status of the refunds.
- ◆ Sunrise shall file six monthly reports, beginning April 16, 2016, to provide the status of compliance with a PCHD Consent Order regarding the failure to perform recommended plant maintenance.

After the Commission approved new rates for the utilities in March 2016, Commission technical staff encountered difficulties obtaining documentation of the corrective actions to assess compliance with the orders. In light of these problems, the Commission's technical and legal staff requested that the Office of Auditing and Performance Analysis conduct a management audit of both utilities. The management audit was initiated in November 2016.

⁵ Id.

1.2 Audit Objectives and Scope

This management audit assessed Alturas' and Sunrise's current operations during the period November 2016 through May 2017. Commission audit staff examined data and information spanning the period 2011 to date of this report's publication for purposes of trending and perspective.

As authorized by Section 350.117 (2) and (3), F.S., management audits are conducted by Commission audit staff to assess utility performance and the adequacy of operations and controls. The statute states:

(2) The Commission may perform management and operation audits of any regulated company. The Commission may consider the results of such audits in establishing rates; however, the company shall not be denied due process as a result of the use of any such management or operation audit.

(3) As used in this section, "management and operation audit" means an appraisal of management performance, including a testing of adherence to governing policy and profit capability; adequacy of operating controls and operating procedures; and relations with employees, customers, the trade, and the public generally.

Chapter 367, F.S., specifically provides the Commission with jurisdiction over water and wastewater systems with respect to its authority, service, and rates. Commission audit staff's access to records is laid out in Section 367.156 (1), F.S. which states:

(1) The Commission shall continue to have reasonable access to all utility records of affiliated companies, including its parent company, regarding transactions or cost allocations among the utility and such affiliated companies, and such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities.

The audit's scope included evaluations of management practices and procedures, compliance with Chapter 25-30 of the F.A.C., and compliance with specific corrective actions required by Commission Order Nos. PSC-16-0128-PAA-WU and PSC-16-0126-PAA-WU.

Chapter 25-30, F.A.C., defines the Commission Rules that govern water and wastewater utilities. Commission audit staff focused on key management issues including owner involvement and accountability, adequacy of contractor performance, effective relations with customers and regulators, and compliance with the following Commission rules:

- ◆ 25-30.145 Audit Access to Records
- ◆ 25-30.130 Record of Complaints
- ◆ 25-30.330 Information to Customers
- ◆ 25-22.032 Customer Complaints
- ◆ 25-30.311 Customer Deposits
- ◆ 25-30.265 Periodic Meter Tests
- ◆ 25-30.267 Record of Meter Tests

- ◆ 25-30.261 Meter Readings
- ◆ 25-30.125 System Maps and Records
- ◆ 25-30.335 Customer Billing
- ◆ 25-30.320 Refusal or Discontinuance of Service
- ◆ 25-30.360 Refund-Rate Case Expenses
- ◆ 25-30.120 Regulatory Assessment Fees
- ◆ 25-30.110 Records and Reports; Annual Reports
- ◆ 25-30.433 Determination of Quality of Service

1.3 Audit Methodology and Standards

During the course of this audit, Commission audit staff attempted to obtain information regarding both utilities' current business operations through document requests and on-site interviews with company personnel. However, after granting one telephone interview and replying to one data request, the utilities' primary owner, Mr. Leslie Szabo, refused to further cooperate in the audit process. The owner denied Commission audit staff access to the utilities' current books, records, and personnel in violation of Section 367.156 (1), F.S., *Public Utility Records* and Rule 25-30.145, F.A.C., *Audit Access to Records*. Normally, Commission audit staff gathers information directly from current management, employees, and owner. Mr. Szabo worked to restrict Commission audit staff's efforts to contact such personnel. Despite these efforts, Commission audit staff eventually contacted the current field technician and plant operator and former employees to gather information. Commission audit staff also relied on documentation filed in the utilities' SARC dockets (140219-WU Alturas) and (140220-WU Sunrise) to assess the companies' operations. Specific information reviewed by Commission audit staff included:

- ◆ Meter reading logs
- ◆ Customer bills
- ◆ Payment register of accounts receivable
- ◆ Customer complaints
- ◆ Annual Reports filed with the FPSC
- ◆ DEP Survey Reports

Despite management's lack of cooperation, the information gathered from former employees and contractors provided sufficient detail and documentation to allow Commission audit staff to perform a thorough analysis of the companies' operations. This information allowed Commission audit staff to reach documented, reliable findings and recommendations.

Commission audit staff's primary standard of review for internal controls is the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the *Internal Control - Integrated Framework* developed by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Internal controls assessments focus on the COSO framework's five key elements of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Staff's audit work is performed in compliance with the Institute of Internal Auditors Performance Standards 2000 through 2500.

In assessing the utilities' current management and operational processes, Commission audit staff relied in part upon a National Regulatory Research Institute (NRRI) study regarding small water utility management.⁶ This study states that effective management of small water companies requires the following:

- ◆ Compliance with regulatory requirements
- ◆ Attracting and retaining quality personnel
- ◆ Providing effective employee training and education
- ◆ Providing excellent customer service
- ◆ Displaying good public relations
- ◆ Employing a strategic business plan

The NRRI study identifies the attributes and practices of successful small systems. By definition, small water utilities have few customers over which to spread fixed costs. Challenges facing small utilities typically include deteriorating infrastructure, maintaining an awareness of regulatory requirements, providing adequate customer service, management training, implementing proper accounting practices, and general lack of financial resources.

The NRRI study notes that small systems are more likely to succeed when management maintains proper focus on company operations, especially when providing water is the owner's primary or only business focus. Significantly, the NRRI study notes that where the water system is not the owner's top priority, there is risk that problems will go unnoticed and necessary maintenance will be deferred. Most successful small systems have an owner with a passion for the business, one who recognizes and values the utility's public interest obligation.

In assessing the overall viability and management of the utilities, Commission audit staff also relied upon a 1992 NRRI study regarding viability assessment methods for small water companies.⁷ This study addresses the evaluation of financial, operational, and management viability for small water utilities facing resource constraints and performance challenges.

1.4 Audit Staffs Overall Opinion and Findings

Commission audit staff noted numerous deficiencies regarding the operations and quality of service for Sunrise and Alturas. Audit staff presents the following overall opinion, recommended action, and findings regarding both utilities:

Overall Opinion

Commission audit staff believes that Sunrise and Alturas owners/managers no longer exhibit the necessary technical, operational, and financial viability to successfully provide water service in a safe, reliable, and affordable manner.

⁶The National Regulatory Research Institute, "Small Water Systems: Challenges and Recommendations" February 7, 2008.

⁷The National Regulatory Research Institute, "Viability Policies and Assessment Methods for Small Water Utilities" June 1992.

Recommended Action

Based on its findings, Commission audit staff believes the Commission should consider bringing formal enforcement action against the utilities as a result of the following findings.

- Finding 1:** Sunrise and Alturas provide an unsatisfactory level of service to their customers.
- Finding 2:** Sunrise and Alturas are operated with inadequate resources, expertise, and practices to provide necessary plant repairs and preventive maintenance.
- Finding 3:** Sunrise and Alturas are operated with inadequate resources, practices, and efforts to provide customer satisfaction and customer complaint resolution.
- Finding 4:** Sunrise and Alturas are generally operated without managerial, financial or operational planning.
- Finding 5:** Sunrise and Alturas ownership does not provide a work environment that promotes hiring, development, and retention of qualified personnel.
- Finding 6:** Sunrise and Alturas have displayed a pattern of contempt and disregard for the statutorily defined authority and jurisdiction of this Commission.
- Finding 7:** Sunrise and Alturas submitted falsified information in support of rate increase requests in Docket Nos. 140119-WU and 140220-WU.
- Finding 8:** Operational deficiencies at Sunrise and Alturas resulted in apparent violations of the following Commission rules:
- Rule 25-30.145 Audit Access to Records
 - Rule 25-30.130 Record of Complaints
 - Rule 25-30.330 Information to Customers
 - Rule 25-22.032 Customer Complaints
 - Rule 25-30.311 Customer Deposits
 - Rule 25-30.265 Periodic Meter Tests
 - Rule 25-30.267 Record of Meter Tests
 - Rule 25-30.261 Meter Readings
 - Rule 25-30.125 System Maps and Records
 - Rule 25-30.335 Customer Billing
 - Rule 25-30.320 Refusal or Discontinuance of Service
 - Rule 25-30.360 Refund-Rate Case Expenses
 - Rule 25-30.120 Regulatory Assessment Fees
 - Rule 25-30.110 Records and Reports; Annual Reports
 - Rule 25-30.433 Determination of Quality of Service
- Finding 9:** Sunrise and Alturas have failed to fully comply with seven of the eight specified corrective actions required in Order Nos. PSC-16-0128-PAA-WU and PSC-16-0126-PAA-WU.

2.0 Background and Perspective

2.1 Changing Ownership and Management

2.1.1 Ownership and Roles of Owners

Since Commission approval of the sale and transfer of certificates for both utilities in 2005⁸, the percentages of ownership and roles of the two owners appear to have changed. Neither utility has filed a transfer of majority control since being granted certificates. The ownership arrangements from 2005 to present remain unclear.

In the application for sale and transfer of certificate filed with the Commission in 2004, the buyer's signatory is listed as Mr. Stuart Sheldon. Between 2004 and 2016, Mr. Sheldon is identified as the President of both utilities and has been listed each year as Registered Agent for both utilities with the Florida Department of State.

In the Alturas and Sunrise annual reports for 2007 and 2008, and the Alturas 2009 SARC application,⁹ Mr. Sheldon is listed as the sole owner of the utilities (100 percent ownership). However, in both Alturas' and Sunrise's 2014 SARC applications, Mr. Sheldon's ownership in each utility is reduced to two percent, while Mr. Leslie Szabo is identified as owning 98 percent of each utility. Most recently, in the Alturas and Sunrise annual reports for 2016, Mr. Szabo is identified as owning 95 percent of each utility. Commission audit staff notes that in a letter filed in Sunrise's 2011 rate case proceeding, Mr. Szabo identifies himself, rather than Mr. Sheldon, as the owner of the utilities.¹⁰ In a March 2017 Consent Order with the PCHD, Mr. Sheldon identifies himself as Sunrise's "Managing Partner."¹¹

Mr. Szabo identified Mr. Sheldon as President of both utilities, but stated Mr. Sheldon is "not involved with the daily operations, or makes any decisions related to the administration part or running the business either." [*sic*]

Mr. Sheldon signed a December 20, 2016 affidavit to recuse himself from a proceeding with the PCHD regarding Sunrise's failure to remedy violations. In the affidavit, Mr. Sheldon claims to have no involvement in both utilities' operations and further states, "Mr. Szabo is not only the principal shareholder [for Alturas and Sunrise], but also in charge of running of the business and has an in-depth knowledge of the details of the daily operation."¹²

In response to Commission audit staff's efforts to contact Mr. Sheldon, Mr. Szabo replied, "Stuart Sheldon would not be able to provide any answers the PSC might have as not being current of [*sic*] the daily events of the business,-therefore does not wish to be contacted by phone." Despite Mr. Szabo's concerns, Commission audit staff called Mr. Sheldon and informed him that his participation was required under the Commission's statutory authority to conduct

⁸Orders No. PSC-05-0309-PAA-WU and No. PSC-05-0308-PAA-WU issued March 21, 2005, Docket Nos. 040160-WU (Alturas) and 040159-WU (Sunrise), respectively.

⁹Docket No. 090477-WU.

¹⁰Document No. 05315, filed July 29, 2011, Docket No. 110238-WU.

¹¹DEP Case No. 13-1398, DOAH Case No. 16-7254.

¹²Id.

audits. Mr. Sheldon indicated that he would communicate with Mr. Szabo first and call back the following workday to answer any questions. Mr. Sheldon never returned Commission audit staff's call. Subsequently, Mr. Szabo stated that Mr. Sheldon does not wish to be contacted and, "Your insistence of not accepting Mr. Sheldon [*sic*] answer are nothing else than another example of your unjustifiable further intent of disruption to our business."

Although Commission orders¹³ granted Mr. Sheldon a salary in both utilities' 2009, 2011, and 2014 rate proceedings, it is unclear whether Mr. Sheldon has ever played a management role in the utilities' operations. Since being granted certificates in 2005, it also appears that Mr. Sheldon has not taken part in any of the utilities' rate case proceedings. It is clear that, despite a lack of water utility experience, Mr. Szabo has managed company operations of both Alturas and Sunrise at least since 2013.

2.1.2 Management and Employess

In 2008, the utilities hired an experienced owner and operator of other water systems in Polk County to manage the utilities. He provided stable management during his tenure including the resolution of quality of service issues raised by the PCHD. Under the new manager's direction, the utilities filed for rate cases in 2009 (Alturas) and 2011 (Sunrise), resulting in rate increases¹⁴ that provided funds for needed improvements such as meter replacement. After implementing improved maintenance and operational practices for several years, the manager left over differences with Mr. Szabo regarding payment of creditors and lack of necessary decision-making authority. In a March 4, 2013 letter to the Commission Clerk, this manager served notice that he was no longer involved in the utilities' operations or docketed proceedings.

The utilities' meter reading and repair operations are performed by a field technician. Customers seeking help with repairs are to call the contact phone number provided on monthly bills. Customers only receive a recorded message instructing customers to leave emergency messages only. No separate phone number is provided for customers to talk to company management or owners. Instead, the recorded message instructs customers to email utility management with any inquiries or complaints.

Customer billing is handled by Mr. Szabo's wife. She is responsible for mailing bills, posting customer payments, and collecting past due accounts. She receives and works to resolve customer complaints via email and has no direct contact with customers. Commission audit staff notes that Mr. Szabo and his wife reside in Canada for the majority of the year. During the remaining months, they reside in Hollywood, Florida.

Mr. Szabo agreed to arrange employee interviews with Commission audit staff. However, he later stated that these employees "have absolutely rejected the idea to have any direct contact with the PSC."

After his initial promises to cooperate, Mr. Szabo challenged the Commission's authority and its motives in requiring the management audit, stating:

¹³Order Nos. PSC-16-0128-PAA-WU (Alturas) and PSC-12-0533-PAA-WU (Sunrise), issued March 29, 2016 and October 9, 2012, in Docket Nos. 140219-WU and 110238-WU, respectively.

¹⁴Order Nos. PSC-10-0380-PAA-WU (Alturas) and PSC-12-0533-PAA-WU (Sunrise), issued June 15, 2010 and October 9, 2012, in Docket Nos. 090477-WU and 110238-WU, respectively.

The entire Management Audit is nothing else than one more a fabricated excuse of the PSC continuous attempts of destruction of our business, and without having any benefit to our customers,-and rather creating the opposite effects. It is one more example that the PSC is overstepping their authorities and it should not be allowed to continue. [sic]

Despite Mr. Szabo's refusal to cooperate, Commission audit staff was able to gather substantial information through other sources. Information was obtained from the utilities' current plant operator, the former manager from 2008-2013, a former office manger/bookkeeper employed through October 2016, and a former contractor. These discussions reveal a non-supportive work environment, questionable decision-making and operational practices, and repeated non-compliance with both Commission regulations and those of other agencies.

Commission audit staff believes Mr. Szabo's management practices and the frequent turnover of employees have significantly contributed to its poor record of performance of both utilities. Since 2004, the utilities have clearly exhibited an inability to retain qualified personnel. The 2004 through 2007 annual reports indicate the office manager/bookkeeper position turned over three times. Between 2012 and 2016, four different office managers/bookkeepers were employed.

2.2 Florida DEP/Polk County Health Department Compliance Issues

As noted, the utilities originally operated under Polk County jurisdiction until May 1996, when Polk County turned over jurisdiction to the FPSC in accordance with Chapter 367, F.S. The Commission granted each utility a grandfathered certificate in 1997.¹⁵ PCHD issued two Consent Orders for Alturas in 2008, three warning letters in 2010, and two warning letters in 2015 pertaining to the quality of the water and operating conditions of the utility's plant. PCHD issued a Consent Order for Sunrise in 2012 requiring the completion of seven repairs that were addressed in two prior warning letters. A separate warning letter was issued in 2015 for not properly maintaining chlorine residuals.

On January 14, 2016, PCHD and DEP entered into a Consent Order for overdue maintenance on one of Sunrise's hydro pneumatic holding tanks. The Consent Order provided for progressive and cumulative fines for delays in the required maintenance actions.

In July 2016, the same hydro pneumatic storage tank developed a hole causing a temporary disruption in the water supply. The leak and subsequent shut down of the water system constituted a health emergency requiring Sunrise to notify customers and the PCHD of the need to boil water. The customers and PCHD were never notified of this condition. With Mr. Szabo's consent, a repair weld was placed by a welder who was not certified by the National Board of Boiler and Pressure Vessel Inspectors. In addition, the repair also was not performed under the direction of a professional engineer and was not inspected prior to re-pressurization.

¹⁵Order Nos. PSC-97-0513-FOF-WU (Alturas) and PSC-97-0832-FOF-WU (Sunrise), issued May 5, 1997 and July 11, 1997, in Docket Nos. 961109-WU and 961249-WU, respectively.

The structural instability of the hydro pneumatic tank created by the uncertified repair, coupled with the January 2016 Consent Order required a new inspection and certification. In response to these concerns, the PCHD issued a Notice of Violations and Orders for Corrective Action on October 18, 2016. The violation notice asserted that Sunrise had not performed the maintenance required to keep both hydro pneumatic tanks in operating condition and had neglected to properly issue boil water notices.

On March 29, 2017, a settlement agreement was reached between Sunrise and the PCHD, on behalf of DEP, and an associated Consent Order was issued by DEP. Pursuant to the settlement and order, Sunrise is required to bypass the improperly-repaired hydro pneumatic tank, install a pressure release valve on the remaining tank, and to ultimately replace both tanks by September 30, 2017. Failure to comply may result in fines and potential civil and criminal penalties of up to \$5,000 per offense. Sunrise also waived the requested DOAH hearing as part of disposing of the contested issues.

In April 2017, Sunrise and Alturas owners applied for funding under the DEP State Revolving Fund Drinking Water Program with the assistance of the Florida Rural Water Association. A Revised Facilities Plan was developed which proposes hydro pneumatic tank replacements and other treatment plant improvements to resolve DEP's concerns. Upon completion of funding agreements, work on the repairs may begin in late 2017.

3.0 Compliance with Commission Rules

This chapter describes the record of compliance by Alturas and Sunrise with Chapter 25-30 F.A.C., the Commission rules governing water and wastewater utilities.

Since the issuance of Order Nos. PSC-16-0128-PAA-WU and PSC-16-0126-PAA-WU in March 2016, it has become increasingly difficult for both Commission staff and customers to obtain cooperation from the owners of Alturas and Sunrise. Customer complaint numbers are extremely high, particularly in light of the fact that the utilities serve fewer than 350 customers combined. Responses to customer complaints are often inadequate, and many customers openly question the integrity and honesty of the owners. Commission audit staff believes the utilities' owners either lack an understanding of the applicable regulations or are not motivated to make regulatory compliance a priority.

3.1 Access to Utility Records

Are the utilities in compliance with Rule 25-30.145, F.A.C., Audit Access to Records?

What is the standard?

Pursuant to Rule 25-30.145, F.A.C., *Audit Access to Records*, Commission staff is to have reasonable access to utility and affiliate records for the purposes of management and financial audits. According to the rule, "reasonable access means that company responses to audit requests for access to records shall be fully provided within the time frame established by the auditor."

What is happening?

Though Mr. Szabo acknowledges that records responsive to all Commission audit staff data requests do exist, he has failed to provide them. These requests for records include supporting documentation for meters replaced, copies of meter reading logs, and customer bills.

Commission audit staff made several attempts to obtain this information without success. In an email to Mr. Szabo, Commission audit staff emphasized the importance of complying with the audit and providing supporting documentation. Audit staff advised Mr. Szabo that:

Due to the statutory authorization for the Public Service Commission to conduct audits and to have access to company records, "opting out" of participation in this management audit cannot be permitted. I hope that your withholding company records and failing to provide access to information known to employees is not a willful effort to thwart the Commission's audit. As I clearly communicated in our first meeting, full cooperation from you is necessary to comply with the applicable law.

In response to Commission audit staff's email, Mr. Szabo stated the following:

Based upon your assessment and attitude toward Sunrise and Alturas utilities we are standing by our answer[s] previously provided. Anything further would be senseless and our customers will not have the benefit from it, and it will only jeopardize our business interest.

Commission audit staff notes that the "answers previously provided" being referenced were refusals to provide the requested records. After this response, Mr. Szabo made no further efforts to participate in the management audit.

What is Commission audit staff's conclusion?

Commission audit staff believes that the utilities' refusal to provide access to requested records and to cooperate with the management audit constitute violations of Rule 25-30.145, F.A.C., *Audit Access to Records*. Failure to cooperate with audit requests, whether intentional or not, handicaps the Commission's effectiveness and efficiency.

3.2 Customer Complaint Records

Are the utilities in compliance with Rule 25-30.130, F.A.C., Record of Complaints and Rule 25-30.330, F.A.C., Information to Customers?

What is the standard?

Pursuant to Rule 25-30.130, F.A.C., *Record of Complaints*, "each utility shall maintain a record of each signed, written complaint received by the utility from any of that utility's customers." By rule, the record is to include the name and address of the complainant, the nature of the complaint, the date received, the result of the investigation, the disposition of the complaint, and the date of the disposition.

Pursuant to Rule 25-30.330, F.A.C., *Information to Customers*, Each utility shall provide customers with telephone numbers (regular and after hours) at least annually.

Commission audit staff believes utilities should work cooperatively with the communities they serve.¹⁶ The company should provide timely, accurate information about service outages, water quality issues, watering restrictions and other matters that affect the community.

What is happening?

Commission audit staff requested a description of the current processes for handling, responding to, and documenting resolution of customer calls or letters regarding issues and complaints received directly by the companies. Mr. Szabo disregarded the specific requests made replying only that his wife (the billing assistant) is "looking after our customer service department or to answer any billing related issues, -to the most satisfaction of our customers." [sic]

¹⁶The National Research Regulatory Institute identified the attributes and practices of successful small systems in a February 7, 2008, report titled "Small Water Systems: Challenges and Recommendations."

In spite of Mr. Szabo's claim of widespread customer satisfaction, an analysis of complaints received by the Commission indicates otherwise. The Commission has received an exceptionally high number of complaints, particularly from Sunrise customers who were unable to even discuss their billing or service issues with the company. Since 2011, of 51 Sunrise customer complaints filed with the Commission, 20 complainants stated they were unable to reach the utility by telephone despite multiple attempts. Similarly, of the 12 Alturas complaints received over the same period, eight complainants were unsuccessful in their efforts to reach the company prior to registering a complaint with the Commission. Audit staff observes that neither company operates a website, physical office, or dedicated telephone line, all of which could substantially benefit customer communication.

During the Commission's May 20, 2015 Sunrise Customer Meeting, a resident stated, "we are not allowed to contact the owner. 'That's prohibited,' they [the utility] said. We were never allowed from day one when I moved in there." Another customer stated, "We have no after-hours contact number. Return calls take days in some cases. Management is rude and dishonest."

Through repeated attempts, Commission audit staff verified that calling the telephone number provided on the monthly bill merely reaches a voicemail recording stating that the number was for emergency messages only. The recording further instructs customers to email utility management with inquiries or complaints. Therefore, routine matters cannot be discussed with company management by telephone.

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities' management fails to maintain accurate records of customer complaints and fails to provide an adequate communications channel for customers to pursue inquiries and complaints. Management has refused to demonstrate implementation of any formal process for recording and maintaining complaints it does receive. Responses to customer complaints received by the Commission indicate a lack of organized record-keeping for complaints. Audit staff believes the utilities are in apparent violation of Rule 25-30.130, F.A.C., *Customer Complaints* and Rule 25-30.330, F.A.C., *Information to Customers*.

3.3 Customer Complaint Handling

Are the utilities in compliance with Rule 25-22.032, F.A.C., Customer Complaints?

What is the standard?

Pursuant to Rule 25-22.032, F.A.C., *Customer Complaints* regarding investigation of complaints, "a utility shall make a full and prompt acknowledgement and investigation of all customer complaints and shall respond fully and promptly to all customer requests." The rule also requires the utility to file a written response to the customer's complaint within 15 working days after the Commission staff sends the complaint to the company.

What is happening?

Regarding complaints, Mr. Szabo vaguely states that “we are only receiving a very few complaints, and they are always solved and explained to the satisfaction of our customers.” In fact, Mr. Szabo stated to Commission audit staff that he has a customer satisfaction rate over 95%, though no basis for the statement was provided.

Despite Mr. Szabo’s assertion that complaints are resolved to the customers’ satisfaction, the Commission received an extremely high number of customer complaints from 2011 through March 31, 2017. **Appendices A and B** show the volume and status of complaints received and recorded via the Commission’s Consumer Activity Tracking System (CATS) from 2011 through March 31, 2017, for Sunrise and Alturas, respectively. For Sunrise, the Commission received 51 complaints over the period. Of the 51, Sunrise failed to respond within the required 15 working days to 23 complaints (45 percent). The Commission received 12 Alturas complaints over the 2011 to March 31, 2017 period. Alturas failed to timely respond to four complaints (33 percent) within the required 15 working days.

Audit staff’s analysis of customer complaints handled by the Commission’s Division of Consumer Assistance and Outreach indicates an extremely high percentage of Sunrise and Alturas customer complaints are found to involve an apparent rule violation. As shown in **Exhibit 1**, Commission audit staff’s analysis of customer complaints filed with the Commission indicate that Sunrise and Alturas rank third and fourth in the number of violations among Class C water utilities. The violations are calculated based on 100 customers for accurate comparison.

Alturas and Sunrise Utilities Apparent Rule Violation Comparison 2016				
Utility	Number of Complaints	Apparent Violations	Number of Customers	Violations per 100 Customers
Lakeside Waterworks	22	20	260	7.6923
Four Points	11	10	241	4.1494
Sunrise	21	8	246	3.2520
Alturas	5	1	65	1.5385
LP Waterworks	5	2	443	0.4515
Crestridge	6	2	616	0.3247
Kincaid Hills	2	1	323	0.3096
Cedar Acres	2	0	319	0.0000
Brevard Waterworks	3	0	262	0.0000
Orangewood	1	0	234	0.0000

EXHIBIT 1

Source: FPSC Consumer Activity Tracking System

Rule 25-22.032 (6)(c), F.A.C., *Customer Complaints* requires the utilities to answer specific questions raised by Commission staff and provide to the Commission any letters or emails sent to the customer that contain the company’s proposed resolution of the complaint or statement of position in addressing or resolving the complaint. Not only are the utilities failing to respond

timely to customer complaints, but the utilities' responses are often argumentative and lacking documentation.

Unfortunately, Mr. Szabo has actively worked to discourage customers from contacting the Commission. On July 29, 2016 he sent all customers a letter¹⁷ detailing his dissatisfaction with the Commission's 2016 rate increase decision and in large part asked the customers to stop complaining about service issues:

We are expected to do the impossible to provide our customers with a trouble free operation but without any help from the PSC part to help us to have additional funding.

We have complied with their regulatory rules and provided the documentations in great details item by item to establish the absolutely necessary funding to have to maintain a trouble free operation.

Not having any knowledge of the facts you [the customer] can create further difficulties just being impatient. The virtue in such situation would be patience. The calmer we stay during a storm the better we come out.

Any unnecessary telephone call or written complaint to the offices of the authorities regulating water services will push your wagon to the Mega Corporation direction.

Calling the Health Department for not receiving the boiled water notice you are admitting to be aware of the situation and is nothing else than a spitefully act.

Beside the 20 complaints through PSC we had several emails and some of them were very insufficient to deserve an answer. Let us do our job without interruption.

In short, - think first before you shoot.. It is our mutual interest to work together instead against each other.

During the process writing this letter we have received calls from the PSC to have our reply before August 4 to the complaints received from some of you. They are time consuming and will create additional and costly administrative work. I hope you will extend toward us the courtesy to withdraw them; - we took the time to inform you off all the pre-existing facts. [sic]

Mr. Szabo has repeatedly expressed anger towards customers and distrust of claims they have made in complaints to the Commission. Mr. Szabo's attitude towards customers is evidenced in an email regarding a complaint instructing his employee to, "use every loop and hoop to make this woman jump through before

¹⁷Document No. 08324-16 filed October, 18, 2016, Docket No. 140220-WU.

she gets water and create a real Blizzard for her. It is payback time to the woman and to the PSC.” [sic]

What is Commission audit staff’s conclusion?

Given the extremely high number of complaints received, the poor record providing a timely and thorough response to those complaints, and owner’s attempts to dissuade customers from voicing concerns or complaints, Commission audit staff believes the utilities’ process for handling and responding to customer complaints is severely inadequate and in apparent violation of Rule 25-22.032, F.A.C., *Customer Complaints*.

3.4 Customer Deposits

Are the utilities in compliance with Rule 25-30.311, F.A.C., Customer Deposits?

What is the standard?

Rule 25-30.311, F.A.C., *Customer Deposits* prescribes in detail how deposits are to be collected, deposit records are to be kept, and deposit refunds are to be granted.

What is happening?

Mr. Szabo’s lack of cooperation in the audit process included failure to provide customer deposit records. In response to a Commission audit staff data request, Mr. Szabo discusses the activities of a supposedly deceitful office manager/bookkeeper who was “revengeful” and “unlawfully has deleted our software program without any prior warning to us,-knowingly that we are in parallel line with her computer and we will lose our data’s from our end, creating an immeasurable problem for Sunrise and Alturas Utilities.” [sic] Yet, in the same letter, Mr. Szabo contradicts himself, stating “We are using the same software program within the last many years and the bills are generated ... with our current rate base already programmed in. The software program does not allow making any changes regardless who is using it.”

According to Mr. Szabo, the former office manager/bookkeeper was terminated for cause. Commission audit staff contacted the former office manager/bookkeeper who provided a different account. She informed Commission audit staff that she was ordered to adjust customer deposits for a specified group of accounts. She refused to comply, believing the adjustments were inappropriate and unnecessary.

The utilities’ deficient process regarding customer deposit records is also documented in the Commission’s March 2016 Orders approving Alturas’ and Sunrise’s increase in rates. In both Orders, the Commission found the utilities were not in compliance with Rule 25-30.311, F.A.C., *Customer Deposits*. During the SARC proceedings, Mr. Szabo initially reported to the Commission’s financial audit staff that the utilities held no customer deposits. However, Mr. Szabo subsequently provided records showing that Sunrise and Alturas were holding in excess of \$6,100 and \$1,100 in customer deposits, respectively. The Orders noted the utilities’ failure to properly record the amount of each deposit, failure to pay the appropriate interest on customer deposits, and failure to refund deposits to residential customers after 23 months of satisfactory payment. Mr. Szabo made statements that these issues were resolved without providing support.

As of July 31, 2015, Commission technical staff estimated approximately \$3,900 in customer deposits were due to be refunded to Sunrise customers and approximately \$840 in customer deposits were due to be refunded to Alturas customers. The Commission put both utilities on notice that if the customer deposit errors are not resolved in a reasonable time, and/or the utilities' deposit records are found to be out of compliance with Commission regulations in the future, both utilities may be subject to a show cause proceeding by the Commission. Additionally, the Commission ordered both utilities to reconcile customer deposit accounts, and provide monthly reports beginning April 15, 2016, until the utilities had satisfactorily refunded deposits and interest. This issue is discussed further in Chapter 4.

What is Commission audit staff's conclusion?

Commission audit staff believes Sunrise and Alturas have not demonstrated compliance with Rule 25-30.311, F.A.C., *Customer Deposits*. Commission audit staff was provided no evidence of annual interest payments to customers. The utilities have also failed to comply with portions of Orders No. PSC-16-0128-PAA-WU and PSC-16-0126-PAA-WU, in Docket Nos. 140219-WU (Alturas) and 140220-WU (Sunrise), which required specific actions regarding deposits.

3.5 Meter Tests and Record of Meter Tests

Are the utilities in compliance with Rules 25-30.265, F.A.C., Periodic Meter Tests and 25-30.267, F.A.C., Record of Meter Tests?

What is the standard?

Rule 25-30.265, F.A.C., *Periodic Meter Tests*, requires "each utility shall inspect and test a representative sample of its meters in service at least once over 10 years for 5/8" size meters", and in accordance with Rule 25-30.267, F.A.C., *Record of Meter Tests*, "each utility shall preserve the original records of all meter tests...until the meter is retired by a later test."

What is happening?

Commission audit staff requested that the utilities describe their processes for meter testing and replacement and to provide all supporting documentation for meters replaced since January 2016. In response, Mr. Szabo simply stated:

If we find any irregularly of the customers normal monthly water usages or the customer calls to check their meter and we find their request reasonable (not only to make a delayed payment) we will send our field technician to perform the so called 10 gallon bucket test. [sic]

Mr. Szabo stated that the utilities' new meter reader found four meters "not working properly or not working at all," and "after the next meter reading we will have more information related to this subject and any meter need to be changed will be looked after at the same time without causing any unnecessary water interruption services for our customers." [sic]

Commission audit staff notes that in 2012, the Commission approved a meter replacement program that would allow Sunrise to replace 23 meters per year over 10 years.¹⁸ The meter replacement program operated under the direction of the utility's prior manager who left in 2013. Apparently, after the manager's departure, Mr. Szabo failed to keep the effort active.

In the most recent rate case order, the Commission determined that Sunrise had only accomplished about one year's worth of meter replacements and ordered an acceleration of the program. Sunrise does not have a meter testing program in place to identify meters in need of replacement. In its 2016 rate case order,¹⁹ the Commission expressed doubt about the company's willingness to properly maintain an escrow account and perform the replacements. Sunrise ultimately agreed to discontinue the replacement program.

What is Commission audit staff's conclusion?

Commission audit staff believes Sunrise and Alturas have not demonstrated compliance with Rules 25-30.265, F.A.C., *Periodic Meter Tests* and 25-30.267, F.A.C., *Record of Meter Tests*. Based on the responses to its data requests, audit staff believes the utilities do not have a process in place to regularly test meters nor a means of tracking test results. From the review of meter logs it was not clear that necessary efforts are made during meter reading to label and follow up on non-functioning meters.

3.6 Meter Readings

Are the utilities in compliance with Rule 25-30.261(1), F.A.C., Meter Readings?

What is the standard?

Pursuant to Rule 25-30.261(1), F.A.C., *Meter Readings*, "the utility shall read its service meters at regular intervals and, insofar as practicable within regularly scheduled work days on the corresponding day of each meter reading period." Additionally, the utility "shall read the register of each meter in the same units that the utility uses for billing purposes."

What is happening?

According to Mr. Szabo, the meter reading operations for both utilities are currently being performed by a resident of the Sunrise community. Commission audit staff requested copies of the meter reading logs for the three most recent billing cycles for both utilities. However, Mr. Szabo refused to provide any completed meter reading logs. In response to the request, Mr. Szabo stated:

We are making our decision based on the facts there weren't any unusual or any additional dispute compared to our last 6 months billing with any of our customers. [sic]

¹⁸ Order No. PSC-12-0533-PAA-WU, issued October 9, 2012, in Docket No. 110238-WU.

¹⁹ Order No. PSC-16-0126-PAA-WU, issued March 28, 2016, in Docket No. 140220-WU.

Despite Mr. Szabo's unwillingness to cooperate, the former office manager/bookkeeper provided monthly meter reading logs from June through September 2016 for Sunrise, and July through September 2016 for Alturas. The logs display pre-printed account numbers, customer names, service addresses, meter identification numbers, and the prior month's reading. The current month readings are handwritten on the pre-printed log. Upon examining the logs and the corresponding billing worksheets, Commission audit staff found the following discrepancies:

Sunrise: June 2016 - September 2016

- ◆ The meter readings for 152 lots did not match the readings displayed on the customer bill.
- ◆ For 26 lots, the meter readings on the logs were marked as estimated, but the corresponding customer bills were not marked as estimated as required per Rule 25-30.335(2)(a) F.A.C., *Customer Billing*.

Alturas: July 2016 - September 2016

- ◆ The meter readings for five lots did not match the readings displayed on the customer bill.
- ◆ For three lots, the meter reading on the logs were marked as estimated, but the corresponding customer bills were not marked as estimated.

Though not specifically addressed in Rule 25-30.261(1), F.A.C., *Meter Readings*, Commission audit staff believes the rule implicitly assumes a reasonable degree of due care and diligence be used in meter reading. Accuracy is the obvious expectation, though some errors inevitably will occur. An examination of the utilities' customer complaints pertaining to meters and meter readings indicate to Commission audit staff that meter reading operations are problematic. Below are examples of complaints to the Commission regarding the utilities' meter reading operations.

- ◆ A Sunrise complainant believes his meter is not being read properly and states that his bill is the same amount each month regardless of his usage. Complainant monitors his meter and believes his bill is not being calculated properly. In response to the complaint, Mr. Szabo stated that this customer is "being irresponsible with unfunded accusations is taking away my time from the valued an appreciated customers who pay their bills in time with responsibility."[sic] Furthermore, Mr. Szabo sent the complainant a final notice threatening to disconnect his service which is an apparent violation of Commission Rule 25-22.032(3), F.A.C., *Customer Complaints*, prohibiting discontinuation of service because of any unpaid disputed amount until the complaint is closed. (CATS 1232339W)
- ◆ A Sunrise complainant was told by a neighbor that teens were trespassing on his property. When confronted, the teens apparently stated, "they were helping their father with . . . reading the water meters." In response to the complaint, the utility acknowledged that a teenager was assisting with meter reading. (CATS 1235681W)
- ◆ A Sunrise complainant states in June 2016 that their water meter has not been read since August 2015. Complainant states they received "a bill that is not marked as estimated, but the reading is totally inaccurate and the most recent bill is not showing

estimated. So what that tells me is they are being deceitful and making up numbers.” The complainant withdrew the complaint after it was resolved over the telephone with the utility. (CATS 1211566W)

What is Commission audit staff's conclusion?

Commission audit staff could not determine compliance with Rule 25-30.261(1), F.A.C., *Meter Readings* as result of Mr. Szabo's unwillingness to allow Commission audit staff to review relevant records and talk with the utilities' meter reader. However, as a result of extensive customer complaints, Commission audit staff has serious concerns regarding the accuracy of the meter readings performed.

3.7 System Maps and Records

Are the utilities in compliance with Rule 25-30.125, F.A.C., System Maps and Records?

What is the standard?

Pursuant to Rule 25-30.125, F.A.C., *System Maps and Records*, the company shall maintain suitable maps on file at its principal office. Also, drawings and/or records of its system and facilities must show size, location, character, date of installation and installed costs of major items of plant and extension of facilities.

What is happening?

During their SARCs, Alturas and Sunrise informed Commission technical staff it did not possess system maps. Subsequently, technical staff discovered outdated system maps for Alturas and Sunrise that had been submitted to the Commission in a 1996 docketed proceeding.²⁰ After staff provided these maps to the utilities requesting they provide updated maps, neither utility made changes. Instead the utilities simply returned the identical 1996 outdated maps to Commission technical staff.

What is Commission audit staff's conclusion?

Commission audit staff concludes no updated comprehensive water system mapping currently exists. Commission audit staff believes Alturas and Sunrise have not demonstrated compliance with Rule 25-30.125, F.A.C., *System Maps and Records*. System maps are necessary in coordinating meter reading and repairs, tracking meter locations, and executing capital improvement projects. A system map would allow the utilities to denote the location of every meter and the date of meter installation. Also, when making repairs and installing equipment, the utilities would be able to quickly locate the pipes in their system.

²⁰ System maps were provided in support of Docket No. 961249-WU to provide a grandfather water certificate to Sunrise utilities.

3.8 Customer Billing

Are the utilities in compliance with Rule 25-30.335 F.A.C, Customer Billing

Rule 25-30.335, F.A.C., *Customer Billing* states, in part:

(1) A utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; the delinquent date or the date after which the bill becomes past due; and any authorized late payment charge.

(2)(a) If the utility estimates a bill, the bill statement shall prominently show the word "Estimated" on the face of the bill.

(2)(b) In no event shall a utility provide an estimated bill to any one customer more than four times in any 12-month period due to circumstances that are within the utility's control and service obligations.

(2)(c) Upon issuance of a second estimated bill in a 6 month period, the utility shall provide the customer with an explicit written explanation for the estimation, along with the utility contact information and the Commission toll free complaint number.

(2)(d) The utility shall maintain records, for a minimum of two years, detailing the number, frequency, and causes of estimated bills, which shall be made available upon request to the Commission or to any party to a rate proceeding for the utility.

(4) A utility may not consider a customer delinquent in paying his or her bill until the 21st day after the utility has mailed or presented the bill for payment.

What is happening?

In response to data requests, Mr. Szabo stated that he was willing to provide the Commission with any individual customer billing and payment history for the past five years within a 24-hour notice, but raised a concern of this information being confidential. A teleconference with audit staff explained the confidentiality process and protection during the audit from public record status. Mr. Szabo indicated he would provide the requested information within days. However, he eventually declined to provide bills and payment records, saying:

We are satisfied with their [employees] services looking after the maintenance and repairs and also properly handling the area of customer billing and collection. This should be good enough to the PSC as we are responsible for their activities.

We are also providing our customers with efficient and timely billing and anything is related to those issues questioned,-are nothing else than the PSC continuous efforts of interference of our operation without any reasoning. [*sic*]

As a result of Mr. Szabo's unwillingness to cooperate, Commission audit staff was unable to review a broad sample of customer bills to fully assess adherence with the rule. However, the bills provided in support of complaints received by the Commission indicate a high rate of error.

As indicated in **Appendices A and B**, well over half of the 63 complaints from Sunrise and Alturas customers relate to billing problems. Commission audit staff's review of analysis performed by Commission staff complaint analysts revealed 26 apparent violations of customer billing rules. Below are specific examples regarding inaccurate bills and failure to post bill payments:

- ◆ A Sunrise complainant disputes their high bill and notes that no one from the utility is available to explain bill fluctuations. The complainant apparently has been charged twice for a bill that was already paid. In response to the complainant's concerns, the utility responded, "Next time when the Consumer cannot pay it's bill in time or it is unusually high, please turn with confidence to the Customer and Billing Department as anybody else did who had the same problem and we helped; we can work out a payment plan, without charging monthly late fee without going in a circle without any solution. We cannot manipulate the meters- numbers on the meter are numbers and we cannot change them- the number flow shows the gallon usage regardless what we believe or we want." [sic] The utility contended that complainant owed as much as \$141.65, yet the utility's meter reader informed the complainant the balance was \$17.83. (CATS 1236441W)
- ◆ A Sunrise complainant states that their bill is not being calculated properly. The complainant is billed the same amount each month regardless of usage, and a late fee is improperly added to each bill. In response, the utility stated, "The company is going out and wasting its time with explaining with him the facts", and the customer has a bad habit of not paying on time. The utility further stated, "Nobody is cheating him with the meter reading because simply you cannot manipulate the meter numbers." (CATS 1232339W)
- ◆ A Sunrise complainant states that even though bill payments are mailed on time, the company is not crediting payments in a timely manner. The complainant believes utility is deliberately doing this in order to bill late fees and reconnection charges. To address the complainant's concerns, the Commission's Office of Consumer Assistance and Outreach requested the utility provide copies of the customers billing statements for the past six months. None were provided. (CATS 1219967W)
- ◆ A Sunrise complainant observes a history of payments not being properly credited and requested the utility to provide a copy of the bill history. In response to the complaint, the utility reported that the cause of the problem was miscommunication between the utility and an "understanding" that the utility had with the complainant. All outstanding bills were adjusted. (CATS 1215984W)

- ◆ A complainant stated Alturas never turned the water on after payment was made and cashed by the utility. In response, the utility stated, “Our problem is that we do not have this address in our customer list.” (CATS 1207995W)

Examination of billing statements attached to customer complaints also shows Sunrise’s failure to comply with the Commission’s customer billing rule and the utility’s Commission-approved tariff. (CATS 1232339W and CATS 1235086W) As displayed in **Exhibit 2**, the billing statement does not indicate the required applicable rate schedule, delinquent date or date after the bill becomes past due, nor any authorized late payment charges (i.e., reconnection fee and late amounts).

Customers rightfully expect their water bills to correctly reflect the actual current charges and outstanding balances and be free from computational errors. A variety of issues combine to produce a high degree of errors in customer billing: misreading meters, inputting incorrect meter readings into the billing system, using incorrect formulas to calculate customer bills, and assigning incorrect due dates on bills. The utilities also fail to inform customers if their bill is estimated, fail to post or timely post customer payments, fail to review bills, and fail to devote adequate resources to customer service and complaint resolution.

What is Commission audit staff’s conclusion?

Commission audit staff believes Sunrise and Alturas have not attempted to demonstrate compliance with Rule 25-30.335, F.A.C., *Customer Billing*. Commission audit staff believes controls and procedures are inadequate to produce reliable bills, and the inadequacy contributes to the poor relationship with customers. If the utility is unable to generate reliable bills, it cannot be certain that it is charging just and reasonable rates as required by Section 367.081(1), (2)(a)(1), F.S.

Sunrise Utilities, LLC
P.O. Box 2608
Eaton Park, FL 33840
yourwaterutility@gmail.com
(863) 510-1318

Utility Bill

1/30/2017

Amount Due
\$104.50

Amount Paid



Account Number: 2578KA
Service Address: [Redacted]
Payment Due Date: 2/18/2017

X **Detach Top and Return With Payment**

Service From	Service To	Description	Meter Readings		Consumption	Meter Multiplier	Rate
			Previous	Current			
1/2/2017	1/30/2017	Residential	415380	420470	5090	X	\$18.27
		ResidentialBase					\$10.01

County Tax: \$2.83
Late Payment Fee: \$0.00
Current Period Total: \$28.91
Previous Balance: \$75.58

Total Amount Due: \$104.50

If not paid by due date amount due: \$111.50

Meters need to be located, marked and free of all debris, dirt, plants, fencing, ect.
NEW READINGS WILL TAKE PLACE BY THE END OF NOVEMBER. AND SAFE ACCESS IS REQUIRED.

REMIT PAYMENTS TO:
SUNRISE UTILITIES
P.O. BOX 2608
EATON PARK, FL 33840

NOTE:

Customer Name: [Redacted]
Account No: 2578KA
Payment Due Date: 2/18/2017

3.9 Service Disconnection

Are the utilities in compliance with Rule 25-30.320, F.A.C., Refusal or Discontinuance of Service?

What is the standard?

Pursuant to Rule 25-30.320, *F.A.C., Refusal or Discontinuance of Service*, a utility has the right to refuse or discontinue a customer's service under several specified conditions.

What is happening?

Upon examination of numerous customer complaints filed with the Commission regarding allegations of wrongful disconnections of service, Commission audit staff believes the utilities do not employ adequate internal controls to reasonably assure disconnect processes are effective and accurate. Below are a few examples from customer complaints regarding negligent handling of service disconnections.

- ◆ A Sunrise complainant alleges the bill was paid and did not have a past balance, yet the company disconnected service without notice. Upon investigation, the utility provided Commission staff with a copy of the disconnect notice sent to the customer. The disconnect notice, however, is dated November 2, 2016, and states a service disconnection date of October 30, 2016. Staff explained to the utility, as it has for numerous similarly-situated complaints, that a utility must provide a customer with a disconnect notice at least five working days before service disconnection pursuant to Rule 25-30.320(2)(g), *F.A.C., Refusal or Discontinuance of Service*. Commission staff further explained that service was disconnected November 2 on the date of the notice, yet the customer's payment receipt is dated October 30, 2016, as was required on the notice. Commission staff directed the utility to restore service immediately and confirm that the customer would not be charged a reconnection fee. The utility responded that the service was reconnected without charge. (CATS No. 1226926W)

- ◆ A Sunrise a complainant states that water to her address was cut-off due to an unpaid balance owed by the prior tenant. In a related complaint, the landlord reported the she was being asked to pay the balance on the prior tenant's account. The company also stated that the current tenant was required to provide a rental agreement and picture identification. Rule 25-30.310, *F.A.C., Initiation of Service*, requires a completed service application in accordance with the forms prescribed by the utility. Neither this rule nor the utility's approved tariff requires a lease or picture identification. (CATS Nos. 1235086W and 1235221W)

What is Commission audit staff's conclusion?

Commission audit staff believes Alturas and Sunrise have not demonstrated compliance with Rule 25-30.320, *F.A.C., Refusal and Discontinuance of Service* since the utilities lack effective internal controls and safeguards to collect past due accounts while ensuring fair treatment of

customers. Commission audit staff believes customers are disconnected in error as a result of errors in meter reading, customer billing, untimely notice of disconnection, and customer payment processing operations.

3.10 Refund-Rate Case Expenses

What is the standard?

According to Rule 25-30.360, F.A.C., *Refunds*, refunds must be made within 90 days of the Commission's Order, unless otherwise prescribed by the Commission.

What is happening?

Per Order No. PSC-16-0128-PA-WU, issued on March 29, 2016, Alturas was required to refund its customers the amount of rate case expenses it over-collected in its 2009 SARC and to provide monthly reports on the status of the refunds until completed. Though the utility has asserted that refunds were made, the utility has provided no documentation of such refunds.

What is Commission audit staff's conclusion?

Commission audit staff believes Alturas is in apparent violation of Rule 25-30.360, F.A.C. *Refunds*.

3.11 Regulatory Assessment Fees

Are the utilities in compliance with Rule 25-30.120(1) and (2)(b), F.A.C., Regulatory Assessment Fees?

What is the standard?

Pursuant to Rule 25-30.120(1), F.A.C., *Regulatory Assessment Fees (RAF)*, each utility will pay a RAF in the amount of 4.5 percent of its gross revenue derived from intrastate business. Section (2)(b) requires small utilities with annual revenues of less than \$200,000, such as Alturas and Sunrise, to file RAF with the Commission on or before March 31 for the preceding year. Section (7)(a) permits the Commission to assess a penalty against any utility for failure to pay its RAF on time.

What is happening?

In May 2014, Alturas and Sunrise negotiated payment plans with Commission staff to resolve delinquent RAFs. Alturas and Sunrise agreed to submit monthly payments of \$85 and \$250 respectively to the Commission beginning November 2014 and continuing until the balance of outstanding RAFs are paid in full, including penalties and interest. However, as shown in **Exhibit 3**, as of mid-April 2017, Alturas still owed \$2,129.33 in RAFs, including penalties and interest. Similarly, Sunrise owes \$16,159.72.

Alturas and Sunrise Utilities Regulatory Assessment Fees Plus Penalties and Interest Owed					
Utility Name	RAF Period	RAF Due Date	Total Owed as of 4/12/17	Total Paid as of 4/12/17	Remaining Balance
Alturas	01/01/15-12/31/15	03/31/16	\$1,524.06	\$623.48	\$900.58
	01/01/16-12/31/16	03/31/17	\$1,228.75	\$0.00	\$1,228.75
	Total Balance Due:				\$2,129.33
Sunrise	01/01/09-12/31/09	03/31/10	\$5,162.58	\$2,835.23	\$2,327.35
	01/01/12-12/31/12	04/01/13	\$4,598.70	\$2,814.77	\$1,783.93
	01/01/13-12/31/13	03/31/14	\$4,974.72	\$0.00	\$4,974.72
	01/01/15-12/31/15	03/31/16	\$4,120.38	\$250.00	\$3,870.38
	01/01/16-12/31/16	03/31/17	\$3,203.34	\$0.00	\$3,203.34
	Total Balance Due:				\$16,159.72

Exhibit 3

Source: Commission RAF database.

What is Commission audit staff's conclusion?

Commission audit staff believes Alturas and Sunrise are in apparent violation of Rule 25-30.120, F.A.C., *Regulatory Assessment Fees*. The utilities have failed to pay outstanding RAF balances from previous years and have yet to pay their 2016 RAFs which were due on March 31, 2017.

3.12 Annual Reports

Are the utilities in compliance with Rule 25-30.110(3), F.A.C., Records and Reports; Annual Reports?

What is the standard?

Pursuant to Rule 25-30.110(3), F.A.C., *Records and Reports; Annual Reports*, each utility will furnish to the Commission annual reports on forms prescribed by the Commission. The obligation to file an annual report applies to any utility that has applied for or has been issued a certificate. The utility's annual report is to be filed with the Commission on or before March 31 for the preceding year ending December 31. The Commission may assess a penalty against any utility that fails to file an annual report on time. Per Section (3)(c), "a utility may file a written request for an extension of time with the Division of Economic Regulation no later than March 31."

What is the standard?

Alturas and Sunrise have exhibited a history of disregard for regulatory compliance by filing annual reports late and not filing a written request with the Commission for an extension of time. For Alturas and Sunrise, Annual Reports were filed late in 2006, 2008, and 2016. The utility did not request an extension for any of the late filings. Commission audit staff notes the utilities' 2015 Annual Reports were submitted on time, but Commission's technical staff deemed them deficient and requested a subsequent filing.

What is Commission audit staff's conclusion?

Alturas and Sunrise have not demonstrated timely compliance with Rule 25-30.110(3), F.A.C. *Records and Reports; Annual Reports.*

3.13 Quality of Service

Are the utilities in compliance with Rule 25-30.433(1), F.A.C., Determination of Quality of Service?

What is the standard?

Pursuant to Rule 25-30.433(1), F.A.C., *Determination of Quality of Service*, during rate cases, the Commission determines the quality of service provided by the company by evaluating three separate components of a utility's operations: 1) effectiveness addressing customer satisfaction, 2) the quality of the utility's product, and 3) the status of operational conditions of the utility's plant and facilities.

In evaluating service quality, the Commission also considers DEP reports, violations, and outstanding citations. Pursuant to Rule 62-560.410(1)(a)1 and 62-560.410(11), F.A.C., DEP requires public water systems that experience violations, exceedances, situations, or failures that may pose an acute risk to human health to issue a notice advising customers to boil water no later than 24 hours after the system learns of the violation, exceedance, situation, or failure. The utility is also required to provide its customers with rescission notices once the problem is resolved, to explain the corrective action taken, and to confirm that bacteriological test results indicate the water is safe to drink.

What is happening?

Pursuant to Order Nos. PSC-16-0128-PAA-WU (Alturas) and PSC-16-0126-PAA-WU (Sunrise), the Commission found the utilities' plant and facilities to be unsatisfactory, efforts to address customer service to be unsatisfactory and the utilities' water product to be satisfactory. All of the potential violations discussed in this chapter have a direct negative impact on quality of service. As noted throughout this report, both utilities are operated with insufficient processes, efforts, and expertise necessary to provide reasonable quality of service.

In the utilities' SARCs, the Commission found the quality of the utilities' product to be satisfactory. The Commission's technical staff reviewed the utilities' compliance with DEP primary and secondary drinking water standards, county health department standards, and customer complaints. Upon review of customer complaints, Commission audit observed that water quality was not a major concern for customers.

Regarding the condition of the plant and facilities, Sunrise failed to address maintenance and repairs recommended by the PCHD during 2016 and 2017. Sunrise had not performed the required maintenance and repairs to its hydro pneumatic tanks and other plant components. Florida Rural Water Association was engaged and performed a complete assessment of the entire treatment plant and recommended nearly \$500,000 plant replacement and improvements. Since

plant condition continued in a deteriorated state that required intervention by regulators, Commission audit staff believes plant and facilities are still unsatisfactory.

Concerning customer satisfaction during 2016 and 2017, the utilities continued their high volume of customer complaints and poor efforts towards complaint resolution. Despite Mr. Szabo's assertion that a high percentage of customers are satisfied, his July 29, 2016 letter to all Sunrise customers addresses widespread dissatisfaction and what he considers unfounded customer complaints:

We are always aware of all the activities on a daily base of the Utilities.

Gossiping spreading rumors and using inappropriate language only to get some attention isn't helping anybody. We never respond to such provocative act or words because it is a waste of time.

Your continuous water supply was jeopardized and your rights has been denied by the Florida Public Service Commission to life on of most important essentials, - water. (*sic*)

Commission audit staff believes these statements inaccurately assert that the utility is aware of and attentive to customer needs. It also illustrates Mr. Szabo's perspective that customers and the Commission raise invalid challenges to the management and operation of the utilities.

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have not demonstrated compliance with Rule 25-30.433(1), F.A.C., *Determination of Quality of Service*.

The utilities' management provides extremely poor quality of service to their customers and operates with insufficient practices, processes, and efforts to provide necessary repairs and preventive maintenance. The Commission audit staff believes Alturas and Sunrise provide an unsatisfactory level of service to their customers and are operated with inadequate resources, practices, and efforts to provide customer satisfaction.

4.0 Compliance with Commission Orders

On March 28 and March 29, 2016, the Commission issued Order Nos. PSC-16-0128-PAA-WU (Alturas) and PSC-16-0126-PAA-WU (Sunrise) in Docket Nos. 140219-WU and 140220-WU, respectively. The orders approved rate increases and recovery of rate case expenses for both Alturas and Sunrise. However, the orders put both utilities on notice that a show cause proceeding may be forthcoming if the following conditions continue to occur:

- ◆ the utilities' books and records are found to be out of compliance with Commission's regulations and have not been adjusted for all applicable NARUC USOA primary accounts,
- ◆ the utilities continue to show a pattern of non-responsiveness to the Commission, or
- ◆ the utilities' customers continue to raise valid complaints about payment collection practices.

Both orders were further held open to allow for Alturas and Sunrise to implement corrective actions set forth in the orders. Below is a list and discussion of eight required corrective actions ordered and Commission audit staff's assessment of compliance.

4.1 Reconciliation of Customer Deposits

What action is ordered?

Alturas and Sunrise were to reconcile customer deposit records and file monthly reports with the Commission, beginning April 15, 2016, until the utilities satisfactorily refunded appropriate customer deposits and interest payments.

What is happening?

The utilities filed eight monthly reports between April and November 2016. The reports stated that interest payments were completed in August 2015, and the customer deposit refunds were completed in August of 2016, but did not include any supporting documentation. Prior to issuance of the orders, Commission technical staff advised the utilities of the apparent customer deposit rule violations and provided detailed instructions to assist the utilities with bringing the deposit records into compliance. At that time, the utilities were advised that the August 2015 interest payments were incorrect.²¹ Commission technical staff has reviewed the Alturas and Sunrise current customer deposit reports dated December 10, 2016, and October 7, 2016, respectively, that were obtained during the management audit, and determined that the utilities have failed to make the account corrections and customer deposit refunds outlined in Commission technical staff's sixth data request. Further, the utilities have not provided any documentation to show that August 2015 interest payments were corrected or that any of the additional interest payments identified in Commission technical staff's sixth data request were paid.

²¹See Commission technical staff's Sixth Data Request in Document No. 08035-15 filed on December 28, 2015, in Alturas Docket No. 140219-WU; and Document No. 06638-15 filed on October 16, 2015, in Sunrise Docket No. 140220-WU.

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have failed to comply with the ordered corrective action.

4.2 Trihalomethane and Haloacetic Acid Tests

What action is ordered?

Alturas and Sunrise were to file documentation by December 31, 2016, showing that the pro forma TTHM and HAA5 tests have been completed, including the test results and final invoices.

What is happening?

As of this report publication, the utilities have not provided the required information. Commission technical staff confirmed through the DEP Oculus Web Site that the utilities completed the four quarters of TTHM and HAA5 testing that was required by the PCHD. However, staff has not been able to verify the actual testing expenses.²²

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have failed to comply with the ordered corrective action.

4.3 Monthly Reports on Status of Contractors

What action is ordered?

Alturas and Sunrise were to file six monthly status reports with the Commission, beginning April 15, 2016, to provide the name and position of each contractor providing service to the utility.

What is happening?

The utilities have continued to experience frequent turnover in contractual service providers. The utilities filed eight monthly reports, but provided names and positions only in the first monthly report for April 2016. Though the office manager/bookkeeper left employment in October 14, 2016,²³ her replacement was never reported in subsequent monthly reports. The utilities' November 15, 2016, monthly report stated that, "There were some changes made since our last report regarding the monthly billing or other contractual service provider for the utility, and it will be detailed by November 21 as requested." No additional information has been provided by the utilities regarding its contractual service providers. Furthermore, in the April 2016, monthly report, the utilities reported that the new office manager had the same qualifications as the previous office manager and would be taking over the same accounting, administrative, and billing responsibilities. However, Commission technical staff was informed that neither of the office managers ever performed any bookkeeping work for the utilities.

²² See Document No. 04336-17 filed in Docket Nos. 140219-WU and 140220-WU.

²³ See Document No. 08325-16 filed in Docket Nos. 140219-WU and 140220-WU.

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have failed to comply with the ordered corrective action.

4.4 NARUC USOA Compliance

What action is ordered?

Alturas and Sunrise were to notify the Commission in writing that adjustments for all applicable NARUC USOA primary accounts have been made.

What is happening?

The utilities provided a written statement confirming that Alturas and Sunrise's books were adjusted to reflect the Commission-required adjustments.²⁴ Based on Commission technical staff's review of the utilities' 2016 Annual Reports, the utilities did not properly adjust Alturas and Sunrise's books to reflect the Commission-approved balances.

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have failed to comply with the ordered corrective action.

4.5 Monthly Reports on Status of Repairs

What action is ordered?

Alturas was to file six monthly reports to provide the status of its progress towards repair or replacing the master flow meter.

What is happening?

Alturas filed eight monthly reports that indicated that it did not repair or replace the master flow meter due to a lack of revenue. However, the reports also suggest that the utility disagrees with the need for the repair by stating in part, "The flow meter only shows the incorrect readings but in reality there are no leaks at the system. . ."

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have failed to comply with the ordered corrective action.

4.6 Resolution of Land Ownership

What action is ordered?

Alturas and Sunrise were to file written documentation showing that Sunrise owns, or has the right to continued long-term use of, the land upon which its treatment facilities are located.

²⁴ See Document No. 07767-16 filed in Docket Nos. 140219-WU and 140220-WU.

What is happening?

On December 9, 2016, the Stephen F. Baker Law Firm provided a Quit Claim Deed to confirm that the land ownership issue was corrected.²⁵

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have complied with the ordered corrective action.

4.7 Rate Case Expenses Refund

What action is ordered?

Alturas was to refund its customers the amount of rate case expenses it over-collected in its 2009 rate case and to provide monthly reports on the status of the refunds until it is satisfactorily completed all the refunds.

What is happening?

Prior to the issuance of the Commission's Order, Alturas indicated that it had issued refunds to its customers for the over-collection of 2009 rate case expense, but provided no supporting documentation. Subsequently, Alturas indicated in eight monthly reports that, "There are no outstanding rate case expenses over collected." As of report publication, Alturas has provided no documentation to support that the refunds were issued.

What is Commission audit staff's conclusion?

Commission audit staff believes Alturas has not complied with the ordered corrective action.

4.8 Monthly Reports on Status of PCHD Consent Order

What action is ordered?

Sunrise was to file six monthly reports, beginning April 15, 2016, to provide the status of compliance with a PCHD Consent Order regarding the failure to perform necessary plant maintenance.

What is happening?

The utilities filed eight monthly reports stating that due to a lack of funds, none of the required repairs were completed. However, the reports also indicate Sunrise disagrees with the need for the repairs stating, "There are no actual current health hazards, but an attempt of the destruction of our business."

What is Commission audit staff's conclusion?

Commission audit staff believes the utilities have failed to comply with the ordered corrective action.

²⁵ See Document No. 09442-16 filed in Docket Nos. 140219-WU and 140220-WU.

5.0 Falsified Documents Filed with the Commission

5.1 Falsified Pro Forma Request

As part of the SARC process, the utilities submitted requests for several pro forma plant replacement and construction projects. Between February 2015 and December 2015, Commission technical staff requested additional documentation on the pro forma projects via data requests issued in Dockets No. 140219-WU and 140220-WU.

On December 30, 2015, Commission technical staff informed the utilities that several of the requested pro forma projects had been removed from staff's recommendation because technical staff had not received sufficient documentation from the utilities. The utilities were given the opportunity to provide additional documentation no later than January 22, 2016.

On January 26, 2016, the utilities provided 10 contractor bids from five vendors as support for the requested pro forma projects. However, this documentation raised questions and Commission technical staff could not verify these bids. Therefore, the pro forma requests were not included in staff's recommendation. In performing its management audit, Commission audit staff examined the questionable bids Mr. Szabo provided in support of the pro forma requests.

Each of the five vendors emphatically stated that they did not prepare the bids in question. Several of the bids described products or services not offered by that particular vendor. In two instances, the vendors stated their names were misspelled on the bids. One vendor noted that a company "d.b.a." name he had never used was included on the bids. Another bidder recounted that his verbal estimate had been \$500, but the suspicious bid was written for \$7,800. Finally, one vendor stated a bid was apparently fabricated from a bid his company did provide two years earlier. He stated the letterhead and terms and conditions language had been altered. Commission audit staff also noted similarities in the wording used on bids that allegedly were provided by unrelated vendors.

Some insight was provided by one of these four vendors as to how these false bids may have originated. He explained to Commission audit staff that during January 2016, Mr. Szabo called and asked him to identify and contact several vendors to obtain written bids for various work projects. The vendor apparently told Mr. Szabo he would not obtain written bids but agreed to call a few contractors and make inquiries about their interest in the work. He called several potential bidders for the types of work described. Some provided "ballpark estimates," which he orally communicated to Mr. Szabo. He said no written bids were provided from these potential bidders.

What is Commission audit staff's conclusion?

Commission audit staff believes that the 10 bids from the vendors interviewed were fabricated by Alturas and Sunrise. The numerous errors and irregularities in the 10 bids, allegedly from five separate vendors, are unlikely to have been simple errors and coincidences. Based upon the belief these documents were falsified and provided in direct support of the pending rate increase request, Commission audit staff believes the Commission should consider bringing formal

enforcement action against the utilities. Commission audit staff notes that a rate case application form PSC/ECR 2-W was signed for both utilities by Mr. Szabo certifying that statements made therein were true and correct. Language positioned just below the signature line of that form warns applicants:

Section 837.06, Florida Statutes, provides that any person who knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his duty shall be guilty of a misdemeanor of the second degree.

Commission audit staff notes that the inclusion of falsified or overstated bids would have led to inflated customer rates, allowing the utilities' owner to reap improper profits. However, the internal controls built into the Commission's SARC process successfully prevented improper rates from being set in Dockets No. 140219-WU and 140220-WU. Consequently, no direct financial harm to ratepayers occurred and no adjustments to the utilities' present rates are needed.

6.0 Company Comments

6.1 Alturas and Sunrise Company Comments

This chapter contains comments provided by Mr. Szabo on behalf of Alturas and Sunrise in response to the audit report. These comments are reproduced verbatim:

If it would be allowed to rename Mr. Wilson Management Audit ... it should be called the Perfect Manual for a Which Haunt.

It contains endless allegations and twisting the facts all the way through, - that makes it very difficult to treat his report with respect

It is a public record the PSC never wanted truly help Sunrise or Alturas customers with a safe and continuous water supply,- and as an added excuses has initiated the Management Audit to justify their reasoning.

I am not expecting any leniency for any of my action or any recognition of my hard work - but I must demand a fair and balanced conclusion of his findings.

We cannot allow this report to be used as an additional tool for the PSC to cause any further delays of our ongoing process of re building the over 50 year old and deteriorated system of Sunrise Utilities - and to expose our customers to any further risks of their water source.

As our conclusion to the Audit, Mr. Wilson failed to present a realistic and an unbiased picture of both Companies.

You have extracted sentences from the PSC records with and interpretation for your own purposes.

Nothing was speared within your report, and many unnecessary and unethical allegations were made.

We must question the truthfulness and the viabilities of your RELIABLE _findings

You have also misinterpreted the true meaning of the NRRI steady and using your quotation...

." Most successful small system have an owner with a passion for the business, one who recognize and values the utility's public interest and obligation. "

This is who I am, - with my unshakable commitment to our customers.

You, Mr. Wilson having the access of the hundreds of pages of our records and witnessing our difficulties to able manage with the underfunded operation, - and still provide our customers with safe water supply without any incident all true the years. - have distorted the truth.

After severally being explained that Mr. Sheldon has no daily involvement in the affairs of Sunrise or Alturas still have kept on insisting to interview him just the same.

You have also insinuated as an added wrongdoing from Leslie Szabo part having the opportunity to avoid the Florida summer heat by going to Canada and living in Florida for the winter months.

I have always made myself available all through the years regardless being at what location, - and looked after the business in the daily bases.

We have been tormented within the last 3 years of the PSC artificially created and premeditated distraction relentlessly questioning of a non-existence Customer Service dissatisfaction, - and the Management Audit keeps on continuing the same practice.

As per your report from 01/01/2011 up to 02/17/2017 out of the 51 complaint in 2016, 8 were originated on 07/19/16 - as outage, due to major breakdown at Sunrise site.

Our SARC was stretched over a 22 months period and not one dollar was approved for additional up-keep maintenance, or replacement of the equipment's.

The PSC protected itself by using all the rules and regulations available to them, but our customer's interest were sacrificed.

Mr. Vilson with his debatable findings related to the so called falsified and overstated bids for repair and replacements, praises the PSC for their refusal to help Sunrise customers with their life necessity of water, - but safeguarded their water rate.

Can you imagine America have no water for one day or more?

The PSC can, - instead of preventing of happening a catastrophe, they kept on artificially focusing on the 3 % of our customer base complaints, and allowing all the customers to become casualties or collateral damages not having any water supply - and our business being destroyed.

Page 19 - Additionally, Mr. Szabo has actively worked to discourage customers from contacting the Commission. Mr Szabo sent all customers a July 29, 2016 letter detailing his dissatisfaction with the Commission rate increase decision and in large part asked the customers to stop complaining about service issue:

There are nine paragraphs extracted of from our original letter to alter reality without any acknowledgement the embarrassing actuality caused by the PSC.

Here is the exact copy of our July 29, 2016 letter to keep the records straight.

July 29, 2016

MESSAGE TO OUR CUSTOMERS,

We have realized from the reactions of a few our customers at Sunrise that the time has come to bring all our customers up to date of the reality we are both facing.

We are always aware of all the activities on a daily base of the Utilities.

If a breakdown occurs we are alerted immediately and looking for the solution at once to solve the problem as quickly as possible.

It is for our best interest to restore services because you only pay for the usages and with an interruption you will use less water.

Many times we do not have ourselves the answer how long will it take to restore the services but we always share the information available to us of the progress of the repair on our outgoing messages on the emergency phone line.

Our customer respond is very much various for the situation

We are thankful for those who could accept such situation as part of life without taking out their frustration on the Company or their representatives.

Those who feel themselves in a hostile situation during such problems, create the poisonous environment only out of their bitterness.

Not having any knowledge of the facts you can create further difficulties just being impatient. The virtue in such situation would be patience. The calmer we stay during a storm the better we come out.

Gossiping, spreading rumors and using inappropriate language only to get some attention isn't helping anybody. We never respond to such provocative act or words because it is a waste of time.

We do share your frustration for the interruption of the water services you are experiencing and are enraged of the circumstances are forced upon us.

Your continuous water supply was jeopardized and your rights has been denied by the Florida Public Service Commission to life on of most important essentials, - water.

Having an in depth knowledge of Sunrise and Alturas operating system and to maintain its capability to provide the proper services, we have turned to Florida Public Service Commission in good faith and made a Staff Assisted Rate Case Application asking for their help in the mid of 2014

Our decision was based on common sense as our previous 2009 rate case history recognized our needs and helped us to insure a trouble free operation.

Our latest rate case applications were stretched without any valid reason for 22 months. It was handled very contrary to the previous one we had, as the entire process took 11 months only, and being fair to our customers or to the Utilities.

We have never objected or complained to be questioned relentlessly of all phases of the operation and our books to be examined.

It shows that our revenue only covers the operational expenses cut to the bare minimum without any reasonable compensation to management and without any safety net for repairs or improvements of these aging systems.

The PSC focused mainly on the administrative issues. The PSC had all the opportunity to help you and our Company but they have ignored our urgent needs from the underground piping to the generator and the condition of the water tanks and to the many other important parts that we must look after.

We have complied with their regulatory rules and provided the documentations in great details item by item to establish the absolutely necessary founding to have to maintain a trouble free operation.

Hearing our repeated requests to receive a timely answer, many promises were made from their part our case will be judged fairly and help is on the way, gave us false hope.

We have also been cautioned, if we are not willing to sell to one of the Mega Corporation as being suggested, the possibilities if no adequate help will come from their end, - our customer's continuous water supply might be in jeopardy.

We have found this very uncharacteristic to their mission statement

The Mega Corporation swallowing up the privately owned small Utility Companies in Florida being pressured and are forced to sell. They already have a near monopolistic market of the electricity, gas and water services under their jurisdiction.

If we allowed this to happen, our customer will be faced with a 2 or 3 times higher monthly bill than their current rates are.

Sunrise customers will have no other choice than to allow them to recover their investment with interest and also to pay for their much higher administrative expenses that we are having.

Their legal team will be able to rush through in a short time their rate case application for your new rate.

We were, and still we are the voice to be heard in your behalf to maintain your lowest rate privileges and to protect our investments.

Since we have purchased the water system in the year of 2004 and compared to the national inflation rate established by the Government, our revenue is less today.

We are allowed to apply for a rate increase every 2 years but we have only exercised this option within the last 12 years 2 times only.

Our expenses grow just like anybody else's but Sunrise Utilities customers are still in a very enviable position to have the lowest rate in the entire Polk County.

The currently approved minimal rate increase was mainly for administrative issues only and not one dollar was approved for improvement or for additional maintenance and none of our repetitious written request was acknowledged or answered related to this subject.

Hoping to be heard at the final meeting at our case approval, - I was silenced and humiliated and not able to say one word, just allowed to listen in to their conversation.

It made me realize that all our 22 months hard work and efforts and hopes are buried.

As our current situation stand no supplier will come forward with help without any re- assurance to get paid for their services or supply.

We are expected to do the impossible to provide our customers with a trouble free operation but without any help from the PSC part to help us to have additional founding

The situation we are forced into, is the direct result of their action will be never admit.

All information revealed to you in this letter are public records, and verifiable in the Florida Public Service Commission website.

Their organization finances is based mainly on the variable regulatory contribution and licensing fees from the Utility Companies, which is a very important part of our budget.

If they do not get paid timely we are facing huge penalties and if the funds has to be taken away from our operating budget ,,it is not their concern.

Regarding the reality of the process of your complains sent to the PSC : we will receive their request to have our answer citing all their rules, and explicate your rights

We will be forced to spend more time and money - as nobody works for us free, and keep reminding them we also do have our rights and boundaries we can work within.

Our advices to you please examine the source of the problem first, and involving the PSC, your service will not be back any sooner.

Any unnecessary telephone call or written complaint to the offices of the authorities regulating water services will push your wagon to the Mega Corporation direction.

Calling the Health Department for not receiving the boiled water notice you are admitting to be aware of the situation and is nothing else than a spitefully act.

No regulatory ruling will ever protect you if we are not following consciously our commitment to never expose our customers to health hazard.

Please give us the same courtesy as we extend toward you to while looking for the solution to your complain.

It is easy to draw early assumptions without knowing the facts but it takes responsibility to admit a mistake

We always know if the complaint is a real or fabricated to somebody's own benefit..

Beside the 20 complaints through PSC we had several emails and some of them were very insufficient to deserve an answer. Let us do our job without interruption.

We do understand your frustration of the service interruption, can you and imagine ours?

In short, - think first before you shoot.. It is our mutual interest to work together instead against each other.

We sincerely hope that we came together in this letter, and it is a nice beginning.

Keeping together will bring progress. Working together will be success.

Feel free to send us an e-mail about your concerns, or ask your questions with confidence.

Sunrise Utilities LLC

.....

We must resent all your fabricated reasoning to derail our rational reliability to look after our customers' needs and to comply and respect our responsibilities to them.

All the interest on customer deposit was paid and all the deposits were returned to all credit worthy accounts.

Regardless of Mr. Vilson beliefs we always had a financial and operational planning, - otherwise the business would not survive due the forced upon circumstance from the PSC refusal to come forward with any help.

All the Triaholomethane and Haloacetic Acid Test were completed in the timely manner as ordered by the PCHD.

As of date we are 100 % aware of all our meter location and they are read monthly and are tested for accuracy - for all parties benefit.

We have never demanded from our customer to pay any higher amount than their actual gallon usages are, but we need to get paid also for our services.

Realistically the 51 Sunrise complaint (including 8 for outages) from 05/26/ 2011 up to 02/17/ 2017 are multiple generated complaints from the same individuals with various and unfounded excuses to not to pay their bill on time, - or not at all.

Many of the complaints are repetitious from 3 to all the way to 15 times from the very same people.

Looking them individually it is less than 3% of our customer base, - and it should not be the most major concern to the PSC.

We have earned our customers trust by an unusually high 90% ratio due to our billing records and customer service satisfaction performance all through the years.

It could not have been accomplished without Maria Mitra qualification and devotion to Sunrise and Alturas Utilities.

We have decided not to submit the 21 pages of M. Mitra detailed explanation of each case complaints made by Sunrise or Alturas customers pointing out all the wrongful resolutions of the PSC made, - to not to stretch this letter any further.

They clearly shows the PSC never reprimanded the notorious complainers for their repetitious and obvious artificially submitted claims, - but rather encouraged them.

It has caused many additional and unnecessary works to Utility.

They were answered within the very same day explaining the actuality of the circumstances and the truth, and submitting all the accounting records requested by the PSC.

Always being very cooperative and truthful to the facts - the PSC declared hastily the Utility being in Violation.

They are public records and cannot be altered and will show the reality.

They are the positive proof of Mr. Vilson inconsiderate assassination of the actual background of each case, and his eagerness to damage Sunrise and Alturas reputation in every possible way.

The following will be good examples how far are you willing to go and altering the facts of a customer wicked concern, - and to became a complaint.

A Sunrise complainant was told by a neighbor that teens were trespassing on his property. When confronted, the teens apparently stated, " they were helping their father with....reading the water meters.". In response to the complaint, the utility acknowledged that the teenager was assisting with the meter reading.

CALLER NAME: SANTIAGO ALEXANDRA

Details:

I'm not quite sure if this would be categorize as a complaint, more of a concern. Last weekend 01/29/17, one of our neighbors let us know that we had kids that were searching through our property. When he went to confront them, they let him know that they were helping their father (Robert Owens) with reading the water meters. My concern is whether or not this is legal? Can the person who is supposed to be reading our meters enlist the assistance of minors (even if its his own kids) to do his job? I actually searched the man that is in charge of reading our meters (we are on the same Facebook group page that William M Scott made) and at least one of his kids looks under 15 years of age.

Facebook group page that William M Scott made) and at least one of his kids looks under 15 years of age.

Another concern is whether or not the gentleman actually has worker compensation with Sunrise Utilities and is his son covered as well? How do I or any of my neighbors know that we won't be sued if something happens to either Mr. Owens or his kid on our property? I also saved a picture of a post that Mr. Scott made on Facebook stating that he had acquired high visibility vest for Mr. Owens and his son. Among the multiple issues this company has, could it be possible that some of the issues of incorrect meter reading be because a teen is doing it and might have issues reading the numbers and guessing and causing incorrect billing? Along with faulty meters that Sunrise swears there's nothing wrong with? I'd like to see this concern addressed. I don't feel comfortable with a minor walking on my property doing his fathers work, just because the father can't keep up with his job

Since MS. SANTIAGO is not making a Complaint but expressing her CONCERN about being informed from one of her neighbor-.

"I'm not quite sure if this would be categorize as a complaint, more of a concern"

NOTE: CASE may be logged in as a complaint or as an information request we consider this case as information request.

Mr. Ethan Nixon, 2561 Edmond Circle has an Account with Sunrise LLC since December 2015.

Ms. Alex Santiago wasn't present on this occurrences as she informed us, one of her neighbor was the one who prescribed her the events.

This "neighbor" when confronted the "kids" and they identified Mr. Robert Owens as the meter reader, should turn immediately and directly with his/her concern or questions to Mr. Robert Owen.

This situation and occurrences are not evident since Alexandra Santiago wasn't witnessing but only describing her concern based on her beliefs.

We are in the same shoe : we were not present and anything what we believe can be stated accordingly.

I confronted personally Mr. Owens and here is the truth and his version:

He was reading the meters with his son's help; who was only writing the numbers given from his father who was cleaning with his hand the dirt, debris or plant in order to get to the meters.

He has even show us pictures how inconsiderate are some of the Customers by not making available their meter for reading once a Month and this makes impossible for him to read the meters by himself.

For the information Mr. Owens's son is over 16 year old and both can be very proud for choosing to help his father because this only shows his character and good will.

I believe that Ms. Santiago can relate to what it means to be a proud parent or will experience and in this lights now understands exactly what happened.

Mr. Owens and Mr. Scott, both have a full time job and they are only working part time with Sunrise as independent contractors.

M.Mitra

Management Audit – Debbi Valle 1

Instead of accepting and re-examining the given circumstances you have decided to categorize and to label Leslie Szabo not only as an uncooperative person but also not being able to handle the affairs of Sunrise and Alturas Utilities, - based on your assumption and believes, - including your findings from Debbie Valle

1) Please update the information in the company's October 14, 2016 status report to the Commission that relate to changes in utility employees or contractors. Please describe the reasons for any changes that occurred recently and provide detailed relevant background information regarding why any changes were made.

Our complete answer.

We have replaced Ms. Debbie Valle being in charge for customer billing and collection and deposit of customer payments received.

Ms. Valle did not follow our instruction or were cooperative regarding handling some of the written off accounts. Her reasoning of already having a daily full time job, and she only have a limited time to spend on our business, - we have acted upon of her repetitious suggestions and to the many numerous warning to find somebody else to fill this position.

It is my responsibility that all active or existing accounts should be billed to protect our revenue.

Ms. Valle become revengeful to our decision and unlawfully has deleted our entire our software program without any prior warning to us, - knowingly that we are in parallel line with her computer and we will lose all our data's from our end, creating an immeasurable problem for Sunrise and Alturas Utilities.

Always acting responsible to our business we have kept on saving on the daily bases all our data's in our software program in a separate and secured location.

Ms. Valle as of date have refused to return our check processing machine (she has never installed by not having the time to start to activate) claiming she has received it broken when we asked for to be returned.

We have received from Ms. Valle many enraged letters, and threatening us to contact the PSC directly, for reason of her own.

I will not speculate if this Management Audit was the direct result of her action, - but it also gives us an opportunity for the PSC to realize there were no irregularly activity were committed, and we have nothing to hide.

Ms. Debbie Valle duties were taken over by Ms. Barbara Crozier who is a resident of Sunrise

We are discussing with her on a daily base all the necessary action to be taken regarding any of the individual customer status.

Any questions regarding to customer issues or billing should be addressed to M Mitra at yourwaterutilities@gmail.com

We also had to hire another person for the meter reading and to replace Mr. Mike Watkins being a close Family member of Ms. Valle and not willing to continue to work for Sunrise or Alturas Utilities any longer.

Meter reading and maintenance was taken over by Mr. William Scott who is very knowledgably in all phase of the water utilities operation and maintenance with 20 years of experience.

Management Audit – Debbi Valle 2

7 Please describe the process for generating bills, receipt of payment, and processing of payments for both companies.

We are using the same software program within the last many years and the bills are generated based on the customers' gallon usages with our current rate base already programmed in.

The software program does not allow making any changes regardless who is using it

The November monthly billing were prepared and mailed to the customer by Barbara Crozier being in charge at this area.

The customer payments received is deposited the same way as before.

Mr. Vilson extract from our original answers and conclusion for Debbie Valle defense!

Yet in the same letter, Mr. Szabo contradicting himself stating

We are using the same software within the same many years and the bills are generated.... with our rate base already programmed in. The software program does not allow making any changes regardless who is using it. " (sic)

The rate bases are public knowledge data and are part of the software program. When the actual gallon usages read based on the individual customer water consumption the software creates the bill.

Debbie Valle DELETAD all our customer data's from : their actual names addresses, --meter ID number , - latest meter reading position of each of and all of our customer base and THEIR ENTIRE BILLING HISTORY !

In a simple term, if somebody brakes into your house to take your life possession away or with an intent to kill you, and the alarm system prevented from happening, - there is no crime committed ?

Management Audit – Debbi Valle 3

We did not wanted to fuel Debbie Valle anger any further because of her replacement after receiving her first very disturbing letter, and our disappointment in her.

Therefore neiether I or M Mitra had any written or verbal communication with Debbie Valle since her separation from Sunrise and Alturas Utilities as of October 9, 2016.

Unfortunately I am forced to bring to the PSC attention her last e-mail received February 3, 2017 - within the many similar and insulting and falsified accusation letters in between.

I did not feel the necessity to expose her true feelings and her offensive characterization against me and M Mitra, - but after receiving the Management Audit one sided and bias conclusion prepared by Mr. Vilson, - gives me no choice than straight out the facts.

No Subject]

People

Debbie Valle <mmvalle58@aol.com>

To

yourwaterutility@gmail.com l.szabo@rogers.com

CC

sallen74647@gmail.com

February 3, 2017

Today at 8:35 PM

This message contains blocked images.

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You are such a bitch. It's time to realize that you are the scumbag here - both you and Leslie are nothing more than lying, cheating assholes. I've already filed a complaint with the attorney general of Florida for you falsifying documents to help your rate case. You know you falsified them, the PSC knows you falsified them and now so will the attorney general and Bruce Alumbaugh will swear to it in a court of law. You picked the wrong person to use their name falsely. Are you getting it yet? We all hate you, that should tell you something. By the way - it's a crime to submit false documents to a government agency punishable my jail time.

You have the gall to call yourself Reverend? Well Reverend - I hope you burn in hell for your actions, you damn sure deserve to. Those people out there might not know how to bring you down but I damn sure do - I'm smarter than the two of you will ever think about being so go screw yourselves. Liars and cheaters never win and all of us at Sunrise are going to see you get EXACTLY what you deserve. The news media will be out soon to do a story on all of this and I'll be right there to give them every bit of information that I have and trust me, I still have it ALL!!!!!!!!!!!!!!!!!!!!!!!!!!!!!! Now, I'll tell you what you told Sherry Allen, it's time YOU recognize you can't blame anyone but yourselves!! Choke on that will ya Reverend!!!

Debbie Valle

The only validity we are willing to accept within this letter that she has called M. Mitra as reverend, and she really is.

She became an ordained Minister in the state of Ohio in the year 1998.

She was exposed to the many faces of human behavior from joyous occasions from conducting marriages, - all the way to bury many of her followers, and comforting the families left behind in their deepest sorrow.

M Mitra always treated all customer complaint with fairness and compassion as her commitment to the people.

I am certain you have already noticed within her respond to the PSC as she has devoted most of her time previously with the Hungarian Community, - English is not her first language.

I hope Mr. Vilson will realize his valid source of information regarding Debbie Valle willingness to help the PSC need to be reconsidered.

Debbie Valle accusation should be recognized of being revengeful and to be reexamined due to their self serving purposes,

Management Audut - Annual Reports 1

Alturas and Sunrise have exhibited o history of disregard for regulatory compliances by filing annual reports late and not filing o written request with the Commission for an extension on time.

The reality is that all the Annual Reports between 2008 and 2016 was mailed and received on time.

The 2106 Annual Reports was also mailed prior to Mach 31 as per regulation requirements, - but was lost in the mail.

When it was brought to our attention we have submitted immediately electronically the copies of the 2016 report for Sunrise and Alturas, - already being completed.

We did not file a written request as it was not called for, - not being aware it was not received

Management Audut - Annual Report 2

We must bring to Mr. Vilson attention a serious error of the accounting from his or the PSC part, not acknowledging the actual Regulatory Assessment Fees payments made.

In May 2014, Alturas and Sunrise agreed to payment plans negotiated with Commission staff for delinquent RAFs. Alturas and Sunrise agreed to submit monthly payment of \$ 85 and \$ 250 respectively to the Commission beginning November 2014 and continuing until the balance of outstanding RAFs are paid in full, including penalties and interest.

Audit for **ALTURAS**

Alturas Audit shows No payment received in the year 2014

The actual payment made in 2014 - \$ 85.00 each - Aug, Sept, Oct, Nov, Dec totaling \$ 425.00 - versus no payment at all.

Alturas Audit shows 01/01/15 – 12/31/15 \$ 623.48

Alturas actual payment made in 2015 - of \$ 85.00 each - Jan, Feb, March, April, June, July, Aug, Sept, Oct, Nov, Dec, Totaling \$ 935.00 - versus \$ 623.48

Alturas Audut shows No payment received in the year 2016

Alturas actual payment made in 2016 of \$ 85.00 each - Jan, Feb, March, April, May, June, July, Nov, Totaling \$ 680.00 - versus no payment at all.

Audit for **SUNRISE**

Sunrise Audit shows No payment received in the year 2014

Sunrise actual payment made in 2014 of \$ 250.00 each - Nov, Dec, Totaling \$ 500.00 - versus no payment at all.

Sunrise Audit shows only one payments of \$ 250.00 for – 01/01/15 – 12/31/15

Sunrise actual payment made in 2015 of \$ 250.00 each - Jan, Feb, March, April, May, July, Sept, Oct, Nov, Dec, Totaling \$ 2,500.00 - versus \$ 250.00

Sunrise Audit shows – 01/01/16 – 12/31/16 - No payment received in the year 2016

Sunrise actual payment made in 2016 of \$ 250.00 each - Feb, March, April, May, Aug, Nov, Totaling \$ 1,500.00 - versus no payment at all.

I am certain the PSC will rectify the error occurred for Alturas \$ 1,417.00 and for Sunrise \$ 4,250.00 and we will be credited with the actual payments made.

I was not aware of the accounting error, - and had the impression that I have angered some of the PSC officials for the reason of not continuing with our agreed payment arrangement since mid 2016.

As per our records, - we have faithfully complied with the negotiated arrangement until mid 2016 when the major breakdown occurred at Sunrise.

We were forced to allocate any available funds to restore and to maintain water services for Sunrise customers.

Not remembering my exact quotation I have stated, - not feeling guilty about that I have chosen to provide Sunrise customers with their life essential , - instead of paying the RAF dues as the PSC have enough funding to maintain operation, - but we don't.

We are in the process to re-build the already deteriorated Sunrise system within the next 8 - 10 months and hopefully there will not be any failure in between, - not having any reserved funds to rely on.

As part of our financial or business plan we will continue as of June 25, 2017 with the agreed payment plan of \$ 85.00 and \$ 250.00 in every second month until the system will be rebuild and our operation will become worry free.

Of course after the task accomplished, we will continue make the payment plan on the regular monthly bases until all outstanding RAF dues are fully paid.

My Closing Thoughts:

I wish your Audit was independent and accurate as it was promised to be within your November 2014 letter, - but is NOT.

We were hopeful that the report finally will create a strategic partnership between Sunrise and Alturas Utilities and the PSC, - for the true benefit to all their customers.

It did not happened...and it is immaterial if the report was written solely on Mr. Wilson personal conviction to hurt and to discredit Leslie Szabo in any way possible - or his action were influenced by higher authorities within the PSC.

It was never our intention to disappoint or to anger any Public Officials, having respect to their authority and always acted responsible to any of their impartial order or recommendation

In the late 2014 we have initiated our SARC and the relationship between Leslie Szabo and the PSC since than.. not only not remained impartial compared to the previous years, but was routed to run on a collision course.

We have never asked the PSC to share our pain, but never asked either to be forced to defend the truth continuously with one hand, and to run the business with the other hand.

Leslie Szabo

7.0 Appendices

7.1 Appendix A Sunrise Utilities – PSC Complaints

Sunrise Utilities Complaints filed with the Commission (2011-March 31, 2017)										
CATS No.	Receive Date / Response Date	Response Timely (1) or Late (0)	Closeout Date	Closeout Code/ Apparent Rule Violation	Customer Reported Issues 2011 - March 31, 2017					
					Billing	Customer Service	Disconnect	Metering	Service Quality	
1	1010939W	05/26/11 06/16/11	1	07/01/11	GI-25: Improper Billing	1	0	0	1	0
2	1012226W	06/06/11 06/15/11	1	08/10/11	GI-25: Improper Billing	1	1	0	1	0
3	1043298W	12/09/11 01/31/12	0	02/07/12	Violation- WB-49: 25-22.032(6)(b) - Failure to Respond to FPSC w/i 15 days	1	0	0	0	0
4	1064303W	05/16/12 05/23/12	1	06/22/12	GI-15: Outages	0	0	0	0	1
5	1069564W	06/28/12 08/16/12	0	08/21/12	Violation- WB-04: 25-30.261 - Inaccurate Meter Reading	1	1	0	1	1
6	1070686W	07/06/12 08/16/12	0	08/20/12	Violation - WB-50: 25-22.032(6)(b) - Failure to Respond to Cust w/i 15 days	1	1	1	1	0
7	1075376W	08/09/12 10/12/12	0	10/12/12	Violation - WB-50: 25-22.032(6)(b)	1	0	0	0	0
8	1087018W	10/25/12 12/11/12	0	12/18/12	Violation - WB-49: 25-22.032(6)(b)	1	0	0	1	0
9	1099980W	02/04/13 03/05/13	0	03/15/13	Violation - WS-49: 25-22.032(6)(b)	0	1	1	0	1
10	1114019W	06/21/13 07/09/13	1	08/21/13	GI-05: High Bill	1	1	1	1	0
11	1149352W	06/09/14	0	12/08/14	Violation - WS-49: 25-22.032(6)(b)	0	1	0	0	0
12	1149764W	06/12/14 11/05/14	0	11/14/14	Violation - WS-49: 25-22.032(6)(b)	0	1	0	0	0
13	1159150W	09/11/14 10/21/14	0	01/12/15	Violation - WS-49: 25-22.032(6)(b)	1	1	0	1	0
14	1166411W	11/21/14 12/15/14	1	02/10/15	GI-08: Rules/Tariffs	1	1	1	0	0
15	1172870W	01/30/15 04/29/15	0	10/01/15	Violation - WB-49: 25-22.032(6)(b) WB-51: 25-22.032(6)(e) - Failure to Respond to FPSC w/i 7 days	1	1	1	0	0
16	1176047W	03/06/15 04/30/15	0	05/01/15	Violation - WB-49: 25-22.032(6)(b)	1	1	1	1	0
17	1178106W	04/01/15 04/30/15	0	05/07/15	Violation - WS-49: 25-22.032(6)(b)	0	1	0	0	0
18	1180403W	04/30/15 05/01/15	1	06/04/15	GI-25: Improper Billing	1	1	0	1	0
19	1186456W	07/16/15 08/17/15	0	03/24/16	Violation - WB-50: 25-22.032(6)(b)	1	1	0	1	0

**Sunrise Utilities
Complaints filed with the Commission
(2011-March 31, 2017)**

CATS No.	Receive Date / Response Date	Response Timely (1) or Late (0)	Closeout Date	Closeout Code/ Apparent Rule Violation	Customer Reported Issues 2011 - March 31, 2017					
					Billing	Customer Service	Disconnect	Metering	Service Quality	
20	1189057W	08/13/15 08/18/15	0	11/28/16	Violation - WB-28: 25-22.032(6)(c) - Failure to Provide Full/Accurate Report	1	1	1	1	0
21	1190043W	08/25/15 09/18/15	0	10/30/15	Violation - WB-28: 25-22.032(6)(c)	1	0	1	1	0
22	1193439W	09/29/15 10/01/15	1	11/03/15	Violation - WB-22: 25-30.335(1) - Payment Not Credited Error; WB-28: 25-22.032(6)(c)	1	1	1	1	0
23	1193554W	09/30/15 11/03/15	0	04/18/15	Violation - WB-49: 25-22.032(6)(b) - Failure to Respond to FPSC w/i 15 days	1	1	1	1	0
24	1193600W	09/30/15 10/16/15	1	11/06/15	GI-11: Repair Service	0	1	0	0	1
25	1205644W	02/17/16 03/18/16	0	03/29/16	Violation - WB-49: 25-22.032(6)(b)	1	1	0	1	1
26	1206935W	03/03/16 03/10/16	1	04/12/16	GI-29: Connect Delay	0	1	0	0	0
27	1207817W	03/15/16 03/16/16	1	06/27/16	Violation - WB-04: 25-30.261 - Inaccurate Meter Reading WB-51: 25-22.032(6)(e) - Failure to Respond to FPSC w/i 15 days	1	0	0	1	0
28	1208087W	03/18/16 03/21/16	1	04/29/16	GI-25: Improper Billing	1	1	0	0	0
29	1211481W	05/02/16 06/09/16	0	07/13/16	Violation - WB-16: 25-30.335(2) - Bills Not Marked Estimate	1	1	0	1	0
30	1211566W	05/03/16 06/07/16	0	06/08/16	Violation - WB-49: 25-22.032(6)(b)	1	1	0	1	1
31	1211896W	05/06/16 05/10/16	1	05/26/16	Violation - WB-24: 25-30.345 - Improper Billing of Reconnect/Service Charges	1	1	0	1	0
32	1214332W	06/09/16 06/24/16	1	07/15/16	GI-15: Outages	0	1	0	0	1
33	1214339W	06/09/16 06/27/16	1	07/15/16	GI-15: Outages	0	0	0	0	0
34	1215984W	07/01/16 07/06/16	1	07/08/16	GI-25: Improper Billing	1	1	1	0	0
35	1217687W	07/19/16 08/09/16	1	08/24/16	GI-15: Outages	0	0	0	0	1
36	1217704W	07/19/16 08/09/16	1	08/24/16	GI-15: Outages	0	0	0	0	1
37	1217726W	07/19/16 08/09/16	1	08/24/16	GI-15: Outages	0	1	0	0	1
38	1217728W	07/19/16 08/09/16	1	08/24/16	GI-15: Outages	0	1	0	0	1
39	1217823W	07/20/16 08/09/16	1	08/24/16	GI-15: Outages	1	0	0	0	1

**Sunrise Utilities
Complaints filed with the Commission
(2011-March 31, 2017)**

CATS No.	Receive Date / Response Date	Response Timely (1) or Late (0)	Closeout Date	Closeout Code/ Apparent Rule Violation	Customer Reported Issues 2011 - March 31, 2017					
					Billing	Customer Service	Disconnect	Metering	Service Quality	
40	1217920W	07/21/16 08/09/16	1	08/29/16	GI-15: Outages	0	0	0	0	1
41	1217998W	07/22/16 08/09/16	0	09/30/16	Violation - WS-28: 25-22.032(6)(c) - Failure to Provide Full/Accurate Report	1	0	0	0	1
42	1219107W	08/05/16 08/09/16	1	09/09/16	GI-30: Service Quality	0	1	0	0	0
43	1219967W	08/12/16 08/15/16	1	11/30/16	Violation - WS-51: 25-22.032(6)(e)	1	1	1	0	0
44	1226926W	11/02/16 12/09/16	0	12/14/16	Violation - WS-12: 25-30.320(5)(6) - Service Improperly Disconnected	0	0	1	0	0
45	1182487W	05/28/15	0	12/03/15	GI-11: Repair Service	0	0	0	0	1
46	1207276W	03/08/16 03/21/16	0	04/27/16	GI-11: Repair Service	0	0	0	0	1
47	1232339W	01/04/17 01/04/17	1	03/31/17	Violation - WB-13: 25-30.320(2)(g) - Improper or No Disconnect Notice WB-48: 25-22.032(3) - Disconnect Protection during Complaint Process Violation - WB-14: 25-30.335(1) - Inadequate information on bills	1	0	0	1	0
48	1235086W	02/02/17 02/02/17	1	02/28/17	Violation - WS-12: 25-30.320(5)(6) - Service Improperly Disconnected	0	1	1	0	0
49	1235221W	02/03/17 02/03/17	1	03/14/17	GI-25: Improper Billing	1	1	0	0	0
50	1235681W	02/08/17	1	03/03/17	GI-30: Service Quality	0	0	0	1	0
51	1236441W	02/17/17	1	03/29/17	Violation - WB-22: 25-30.335(1) - Payment not Credited	1	1	0	1	0
Apparent Rule Violations (CATS closeout code): 33						31	33	14	22	16

7.2 Appendix B Alturas Utilities – PSC Complaints

Alturas Utilities Complaints filed with the Commission (2011-March 31, 2017)									
CATS No.	Receive Date / Response Date	Closeout Date	Closeout Code/ Apparent Rule Violation	Customer Reported Issues 2011 – March 31, 2017					
				Billing	Customer Service	Disconnect	Metering	Service Quality	
1	1005510W	04/26/11 05/11/11	06/07/11	GI-25: Improper Billing	1	1	0	0	0
2	1005688W	04/26/11 05/11/11	05/31/11	GI-25: Improper Billing	1	1	0	0	0
3	1005756W	04/27/11 05/11/11	06/02/11	GI-25: Improper Billing	1	1	0	1	0
4	1006193W	04/28/11 05/11/11	06/02/11	GI-30: Service Quality	0	1	0	0	0
5	1027281W	09/01/11 09/27/11	10/12/11	Violation - WS-12: 25-30.320(5)(6) – Service Improperly Disconnected	0	0	1	0	0
6	1032388W	10/03/11 11/02/11	11/08/11	Violation - WB-49: 25-22.032(6)(b) – Failure to Respond to FPSC w/i 15 days	1	1	1	1	0
7	1172953W	01/30/15 05/01/15	05/01/15	Violation - WS-49: 25-22.032(6)(b)	0	1	1	0	0
8	1206194W	02/23/16 03/15/16	03/29/16	GI-30: Service Quality	1	1	0	0	0
9	1207988W	03/17/16 04/07/16	08/03/16	Violation - WB-51: 25-22.032(6)(e) – Failure to Respond to FPSC w/i 7 days	1	1	0	0	0
10	1207995W	03/17/16 03/17/16	04/21/16	GI-29: Connect Delay	0	1	0	0	0
11	1210193W	04/14/16 04/18/16	05/25/16	GI-25: Improper Billing	1	0	0	1	1
12	1230140W	12/07/16 12/15/16	01/24/17	GI-25: Improper Billing	1	0	0	1	0
Apparent Rule Violations (CATS closeout code): 4					8	9	3	4	1

ATTACHMENT B

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Polk County by Alturas Utilities, L.L.C.

DOCKET NO. 140219-WU
ORDER NO. PSC-16-0128-PAA-WU
ISSUED: March 29, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION ORDER
APPROVING RATE INCREASE FOR ALTURAS UTILITIES, L.L.C.
AND
FINAL ORDER ON RECOVERY OF RATE CASE EXPENSES,
TEMPORARY RATES AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein, except for the granting of temporary rates in the event of protest, the four year rate reduction, and proof of adjustment of books and records, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.). The granting of temporary rates in the event of a protest, the four year rate reduction, and the proof of adjustment of books and records are final agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

CASE BACKGROUND

Alturas Utilities, L.L.C., (Alturas or Utility) is a Class C utility providing water service to approximately 51 residential customers and 10 general service customers in Alturas, Florida in Polk County. The Utility's service territory is located in the Southwest Florida Water Management District (SWFWMD) and is subject to a year-round irrigation rule. Alturas has been in existence since 1928 and was granted a Grandfather certificate by the Commission in 1997 in

the name of Alturas Waterworks.¹ The Utility's water treatment plant (WTP) was placed into service in 1952 and was fully depreciated in December 1992.²

In 1998, Alturas Waterworks was transferred to Keen Sales, Rentals and Utilities, Inc. (Keen).³ Alturas Utilities acquired a portion of Keen's service territory in 2005 when the Commission granted the transfer.⁴ According to the Utility's 2014 Annual Report, its total gross revenues were \$27,710 and total operating expenses were \$42,012, resulting in a net loss of \$14,302.

On November 10, 2014, Alturas filed its application for a staff-assisted rate case (SARC), in accordance with a payment plan negotiated with staff for the payment of delinquent Regulatory Assessment Fees (RAFs) owed by the Alturas. We selected the test year ending December 31, 2014, for the instant case. Alturas' last rate case proceeding was in 2009 in Docket No. 090477-WU.⁵

On May 1, 2015, our staff issued a preliminary recommendation (Staff Report), pending further review of this matter. On May 19, 2015, a customer meeting was held in Bartow, Florida to receive customer questions and comments concerning Alturas' rate case and quality of service. On June 11, 2015, the Office of Public Counsel (OPC) filed comments identifying its concerns with information contained in the Staff Report.⁶ On December 9, 2015, our staff held a noticed, informal meeting with OPC to discuss the status of the Utility's SARC, including issues or concerns identified by staff, OPC or other interested party.⁷

We have jurisdiction in this case pursuant to Section 367.0814, Florida Statutes, (F.S.).

¹ Order No. PSC-97-0513-FOF-WU, issued on May 5, 1997, in Docket No. 961109-WU, In re: Application for Grandfather Certificate to Operate a Water Utility in Polk County by Alturas Water Works.

² Order No. PSC-01-0323-PAA-WU, issued on February 5, 2001, in Docket No. 000580-WU, In re: Application for staff assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works).

³ Order No. PSC-98-1752-FOF-WU, issued on December 22, 1998, in Docket No. 980536-WU, In re: Application for transfer of water facilities from Alturas Water Works to Keen Sales, Rentals and Utilities, Inc. In Polk County, cancellation of Alturas' Certificate No. 591-W and amendment of Keen's Certificate No. 582-W to include additional territory.

⁴ Order No. PSC-05-0309-PAA-WU, issued on March 21, 2005, in Docket No. 040160-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals and Utilities, Inc. to Alturas Utilities, L.L.C., in Polk County.

⁵ Order No. PSC-10-0380-PAA-WU, issued on June 15, 2010, in Docket No. 090477-WU, In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

⁶ Document Nos. 03571-15, filed on June 10, 2015, and 03595-15 filed on June 11, 2015, in Docket No. 140219-WU.

⁷ Document No. 07808-15, filed on December 10, 2015, in Docket Nos. 140219-WU and 140220-WU.

DECISION

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., in water and wastewater rate cases, we must determine the overall quality of service provided by the utility. Overall quality of service is derived from an evaluation of three separate components of the a utility's operations. These components are: (1) the quality of the utility's product; (2) the operating conditions of the utility's plant and facilities; and (3) the utility's attempt to address customer satisfaction. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered. Additionally, Section 367.0812(1)(c), F.S., requires us to consider the extent to which the utility provides water service that meets secondary water quality standards as established by the DEP.

Quality of Utility's Product

Our evaluation of Alturas' product quality consisted of a review of the Utility's compliance with the DEP primary and secondary drinking water standards, county health department standards, and customer complaints. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water.

Based on our review of DEP and PCHD records, Alturas was in compliance with all primary and secondary standards during the three-year period (2012-2014) that preceded its application for a staff-assisted rate case. However, on June 9, 2015, PCHD conducted a sanitary survey and found that the Utility's chlorination levels were insufficient. Follow up inspections by the PCHD on July 9, 2015, and July 17, 2015, indicated that the chlorination issue had not been resolved. On July 21, 2015, PCHD issued a warning notice to both Alturas and its sister company, Sunrise Utilities L.L.C. (Sunrise), for not properly maintaining chlorine residuals. Alturas' triennial testing, of both primary and secondary standards, completed on December 15, 2015, indicated that the Utility was in compliance with DEP and PCHD standards. Therefore, it appears that Alturas has corrected the chlorination issues and is now in compliance with the DEP and the PCHD primary and secondary standards.

Our review of complaints filed by customers did not reveal any issues or concerns regarding the quality of Alturas' product. Based on our review, giving consideration to the Utility's current compliance with the DEP and the PCHD standards, as well as the lack of customer complaints, we find the quality of Alturas' product to be satisfactory. In addition, we find that Alturas shall be required to file six monthly status reports in this docket, beginning April 15, 2016, to provide the status of its progress in meeting the requirements of the PCHC Consent Order.

Operating Condition of the Utility's Plant and Facilities

Alturas' water system provides finished water obtained from a single well, which draws ground water from the aquifer. The raw water is injected with liquid chlorine prior to entering a 3,000-gallon hydropneumatic tank, and then pumped into the water distribution system. The distribution system is a composite network mix of PVC, concrete and galvanized pipe. Our evaluation of Alturas' facilities included a review of the Utility's compliance with the DEP and the PCHD standards of operation.⁸ In December 2011, the PCHD conducted a plant inspection and recommended that the following repairs be performed:

1. The interior of the hydropneumatic tank should be cleaned and recoated by December 2013;
2. Pressure relief valves should be set at 92 psi; and
3. Hydropneumatic tank cradles should be replaced or repaired by September 2014.

On August 28, 2013, and April 22, 2014, the PCHD issued letters to Alturas requesting that the Utility provide scheduled maintenance on its hydropneumatic tank. On May 26, 2015, the PCHD issued a warning notice to Alturas for failure to respond to its previous requests concerning the status of the repairs that were recommended in December 2011. The warning notice also notified Alturas that it needed to provide scheduled maintenance on the hydropneumatic tank prior to the PCHD's next inspection scheduled for December 2016.⁹

On February 4, 2016, we received a proposal obtained by Alturas for services to repair the tank cradles by February 19, 2016. Although Alturas has provided documentation that it is planning to perform some of the PCHD's recommended repairs, the Utility has not been responsive to the PCHD. As of the date of this Order, two of the PCHD's recommended repairs have not been completed. Based on the Utility's non-compliance and non-responsiveness to the PCHD notices and standards, we find that the operating condition of the Utility's plant and facilities to be considered unsatisfactory. OPC also raised concerns about the Utility's non-responsiveness to the PCHD.^{10,11}

The Utility's Attempt to Address Customer Satisfaction

The final component of the overall quality of service which must be assessed is customer satisfaction. As part of our evaluation of customer satisfaction our staff held a customer meeting (May 19, 2015) to receive customer comments concerning Alturas' quality of service. No customers attended the meeting. Our staff also requested, from the DEP and the PCHD, any complaint records filed against the Utility from 2011 through 2015. The DEP and the PCHD responded that it had not received any complaints against the Utility during the specified time frame. The same request was sent to Alturas, which responded that it did not have any customer

⁸ Our staff conducted a plant site visit of the Utility on May 19, 2015.

⁹ Document No. 03102-15, filed on May 26, 2015, in Docket No. 140219-WU.

¹⁰ Document 03595-15, filed on June 11, 2015, in Docket No. 140219-WU.

¹¹ Document 03572-15, filed on June 10, 2015, in Docket No. 140220-WU, In re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, L.L.C.

complaints outside of the ones forwarded by the Commission's Office of Consumer Assistance and Outreach for the requested period. The review of this Commission's complaint records indicated six complaints were received from January 1, 2011, through December 31, 2014, all of which occurred in 2011.

Since January 1, 2015, one customer complaint was filed with this Commission. The customer complaint stated that a disconnect notice was not received prior to disconnection and attempts to make payments over the telephone were unsuccessful. The Utility's response to our staff's inquiries regarding the complaint arrived after 90 days and indicated payments by the customers were returned due to non-sufficient funds. Since the response was late, it was recorded as an apparent violation of Rule 25-22.032, (6)(b) F.A.C., Customer Complaints, which requires utilities to respond to our staff's inquiries within 15 work days. Given the relatively low number of complaints filed with this Commission, we do not find that any action should be taken against the Utility for its apparent Rule violation. However, we note that Alturas shall take steps to timely file any required responses to Commission complaints. All complaints filed with this Commission have been closed. The Table below summarizes the classification of complaints filed with this Commission.

Type	Number of Complaints
Improper Disconnects	2
Improper Bills	4
Quality of Service	1

We note that Alturas does not have a physical office location for customers to make payments or service inquiries. On October 19, 2015, Alturas notified us that its daily customer service and repair operations were under new management. Additionally, Alturas has contracted with a bookkeeper in Bartow, Florida, which allows customers to make service requests and bill payments in person from 8:30 a.m. to 5:00 p.m. Monday through Friday.¹² We find that these efforts taken by Alturas demonstrate a willingness to address customer satisfaction. Additionally, given that only one complaint has been filed since 2011, we do not find that Alturas has systemic issues with respect to adequately addressing customer satisfaction. Therefore, we find that Alturas has satisfactorily attempted to address customer satisfaction.

Quality of Service Summary

We find that overall quality of service provided by Alturas to be unsatisfactory because Alturas has failed to address maintenance and repairs recommended by the PCHD in 2011. As such, we find that the Utility's officers' salaries shall be decreased by 25 percent as set out more fully below in the Operating and Maintenance Expense section of this Order. Alturas shall be required to file six monthly status reports in this docket, beginning April 15, 2016, to provide the status of its progress in meeting the requirements of the PCHC Consent Order.

¹² Document 06695-15, filed on October 20, 2015, in Docket No. 140219-WU.

Used & Useful (U&U)

Alturas' water system is served by a single 6-inch diameter well rated at 350 gpm. The raw water is injected with liquid chlorine prior to entering the 3,000-gallon hydropneumatic tank, and then pumped into the water distribution system. Alturas is permitted to withdraw an average of 34,200 gallons per day (gpd) up to 94,600 gpd peak. The treated water is then pumped into the water distribution system. In the Utility's previous SARC, we found both the Utility's water treatment plant and distribution system 100 percent U&U. There have been no major plant additions or growth in the last five years. Therefore, consistent with our prior decision, we find Alturas' water treatment plant and distribution system to be 100 percent U&U.

Excessive Unaccounted for Water (EUW)

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, we recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water produced that is not sold, metered or accounted for in the records of the utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost, are necessary, we will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, and whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

Alturas treated 6,294,431 gallons and sold 3,665,000 gallons of water for the test year. According to Alturas, there are no fire hydrants in the service area and Alturas did not record any gallons used for other purposes. Therefore, the amount of unaccounted for water is 2,629,431 gallons (6,294,431 - 3,665,000). Ten percent of the gallons produced, or 629,443 gallons (6,294,431 x .10), is allowed per rule. We find the EUW is (2,629,431 - 629,443) 1,999,988 gallons, which divided by the total gallons produced (1,999,988/6,294,431) equates to 31.77 percent EUW.

Per our suggestion, Alturas contacted the Florida Rural Water Association (FRWA) and scheduled a survey of its distribution system. Alturas provided documentation of FRWA's test results, dated August 25, 2015, indicating that the Utility's plant master flow meter is inaccurate and reading 20.8 percent faster than the actual flow.¹³ In its 2009 rate case, we did not make an EUW adjustment because the master flow meter was not working properly and Alturas was working to address the problem with the master flow meter and possible leaks in the distribution system. We do not find that Alturas has demonstrated an effort to address its on-going EUW issues in its current rate case. Although Alturas has joined the FRWA, the Utility has yet to provide documentation that the master flow meter has been replaced or repaired. Therefore, due to uncertainty regarding the current status of the master flow meter replacement, we find an adjustment is required to Alturas' operating expenses (chemicals and purchased power) due to

¹³ Document 05581-15 filed on September 8, 2015, in Docket No. 140219-WU.

EUW. In addition, Alturas is required to file six monthly status reports, beginning April 15, 2016, to provide the status of its progress to repair, or replace, its master flow meter.

Allocation of Common Costs

Alturas and its sister company, Sunrise, receive services from several shared contractual service providers. During the test year, the Utility's allocation of the common costs varied for each of the contractual service providers. The practice of this Commission is to allocate shared administrative and general expenses based on the number of Equivalent Residential Connections (ERCs).¹⁴ We previously approved this methodology for Alturas and Sunrise when the systems were owned by Keen Sales, Rentals, and Utilities. The appropriate allocation percentages are calculated as follows:

<u>Name of System</u>	<u>Number of ERCs</u>	<u>Percentage of Allocation</u>
Alturas Utilities, L.L.C.	69	22%
Sunrise Utilities, L.L.C.	247	78%
Total	316	100%

As shown above, Alturas represents 22 percent of the ERCs for both Utilities. Therefore, we find that the shared reasonable and prudent common expenses that shall be allocated to the Alturas water system to be 22 percent, which equitably reflects the distribution of costs between the two Utility systems.

Rate Base

The appropriate components of the Utility's rate base include utility plant in service, land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Alturas' rate base was last established by Order No. PSC-10-0380-

¹⁴ Order Nos. 17043, issued on December 31, 1986, in Docket No. 860325-WS, In re: Request by Southern States Utilities, Inc. for approval of test year ended 12/31/85 for rate increase in Seminole County; Order No. PSC-01-0323-PAA-WU, issued on February 5, 2001, in Docket No. 000580-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works); Order No. PSC-05-0442-PAA-WU, issued on April 25, 2005, in Docket No. 040254-WU, In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.; Order No. PSC-09-0716-PAA-WU, issued on October 28, 2009, in Docket No. 090072-WU, In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.; Order No. PSC-13-0320-PAA-WU, issued on July 12, 2013, in Docket No. 120269-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC; and Order No. PSC-13-0327-PAA-SU, issued on July 16, 2013, in Docket No. 120270-SU, In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.

PAA-WU in a 2009 SARC.¹⁵ We selected a test year ending December 31, 2014, for the instant case. A summary of each component of rate base and adjustments made are discussed below.

Pursuant to Rule 25-30.115, F.A.C., water and wastewater utilities are required to maintain their accounts and records in conformity with the 1996 National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). As will be discussed further below in the Test Year Revenues and Proof of Adjustments sections of this Order, Alturas is not currently maintaining its books and records on a monthly basis as prescribed by the NARUC USOA. Our audit staff determined that Alturas' accounting activities are compiled at the end of each calendar year by the Utility's officers and their Certified Public Accounting (CPA) firm to prepare the Utility's Annual Report and its Federal Tax Return. Consequently, a 2014 income statement and balance sheet were not available for Alturas, and its 2014 Annual Report was not compiled before the end of our audit staff's field work. We used the Utility's 2009 through 2013 Annual Reports, 2013 Federal Tax Return, and other supporting documents to compile Alturas' rate base, capital structure, and net operating income for the test year ending December 31, 2014.

Utility Plant in Service (UPIS)

As discussed above, no rate base balances were available for Alturas for 2014. Using the Utility's 2009 through 2013 Annual Reports, our audit staff calculated a test year UPIS balance of \$59,612. In the Utility's last SARC, which had a test year ending October 31, 2009, we approved and included \$18,075 of pro forma plant additions, without retirements. The projects included installing a shed, rebuilding a master meter at the well, refurbishing a well pump, refurbishing the water tank and tank piping, installing a new blowoff at the tank, and installing new water meters. On August 8, 2011, Alturas filed documents that supported an actual cost of \$10,486 for the approved projects that were completed during 2010 and 2011. Our staff reviewed and approved the Utility's filed documents and administratively closed the docket in that proceeding.

A review of the Utility's annual reports indicates that Alturas experienced a net operating loss in each year since the pro forma projects were completed in 2011. Specifically, Alturas reported net operating losses of \$4,933, \$5,375, and \$6,142 for 2011, 2012, and 2013, respectively. In addition, our audit staff calculated a loss of \$8,096 for 2014. The increasing level of operating losses indicates that the \$7,589 overstatement of UPIS was offset by other costs, and therefore, did not cause Alturas to exceed its authorized rate of return. We find it appropriate, however, to adjust the rate base prospectively to correctly reflect the pro forma that was completed. Our audit staff's starting balance of \$59,612 only includes a portion of the completed pro forma projects. Based on our review, we have increased UPIS by \$7,068 to reflect the correct test year UPIS balance including all of the completed pro forma projects.

¹⁵ Order No. PSC-10-0380-PAA-WU, issued on June 5, 2010, Docket No. 090477-WU, In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

Our audit staff noted that the previously approved pro forma projects did not include any plant retirements. The majority of the projects involve new plant additions or refurbishments, and do not require plant retirements. We find it appropriate, however, to recognize plant retirements for the meter replacements. We attempted to calculate the retirements based upon the original cost of the meters, however, there was insufficient information to determine the exact number of meters that were replaced. It is our practice to use 75 percent of the cost of the replacement as the retirement value when the original cost or original in-service date is not known. Accordingly, we have decreased this account by \$1,752 ($\$2,336 \times .75 = \$1,752$) to reflect the plant retirements associated with the 2010 and 2011 meter replacements. No plant additions were made during the test year, therefore, no averaging adjustment is necessary.

Based on the adjustments shown above, our net adjustment to UPIS is an increase of \$5,316 ($\$7,068 - \$1,752 = \$5,316$), with a UPIS balance of \$64,928.

Land and Land Rights

In Alturas' last SARC in 2009, we approved a land balance of \$500. We find that there has been no activity related to land since the last case, therefore, no adjustments are necessary. We find a land and land rights balance of \$500.

Non-Used and Useful Plant

As discussed in above in the Used & Useful section of this Order, we found Alturas' water treatment plant and distribution system 100 percent U&U. Therefore, we find a U&U adjustment is not necessary.

Contribution in Aid of Construction (CIAC)

In Alturas' last SARC in 2009, we approved a CIAC balance of \$18,637. Since the Utility's last SARC, there has been no activity related to CIAC. Therefore, no adjustments to CIAC are necessary, and find a CIAC balance of \$18,637.

In addition, as will be discussed more fully below in the Customer Deposit section of this Order, Alturas appears to be in violation of our Rules and regulations regarding customer deposits. Alturas currently is working with our staff to correct the apparent violations, however, the final results of those corrections are not yet known. In the event Alturas is unable to issue customer deposit refunds and interest payments to former customers, the resulting total of the unclaimed refunds and associated accrued interest shall be credited to CIAC in the Utility's next rate proceeding.

Accumulated Depreciation

We calculated a test year accumulated depreciation balance of \$34,230, and determined that no depreciation was recorded during 2011 and 2012. Therefore, we calculated the annual accruals to accumulated depreciation beginning with the Utility's last SARC in 2009 through the

end of the test year, using the prescribed rates set forth in Rule 25-30.140, F.A.C., and increased accumulated depreciation by \$5,623 to reflect the correct test year balance. In addition, we have decreased this account by a total of \$2,204 to reflect the retirement of the replaced meters discussed above. Our retirement adjustment includes removal of \$1,752 in accumulated depreciation for the retired meters, as well as removal of \$452 in additional accumulated depreciation that continued to accrue during the years following the meter replacements ($\$1,752 + \$452 = \$2,204$). Also, we have decreased this account by \$811 to reflect an averaging adjustment. Our net adjustment to accumulated depreciation is an increase of \$2,607, resulting in an accumulated depreciation balance of \$36,837.

Accumulated Amortization of CIAC

In Alturas' last SARC in 2009, we approved an accumulated amortization of CIAC balance of \$18,637, and found that CIAC had become fully amortized as of February 10, 2004. As noted above, there has been no activity related to CIAC since the Utility's last rate case, therefore, we find that no adjustments to amortization of CIAC to be necessary. Although there is a net zero effect of having balances of \$18,637 for CIAC and accumulated amortization of CIAC, these balances shall still be maintained for accounting purposes. These balances represent contributions toward plant assets by the Utility's customers. When those plant assets are replaced and retired, a corresponding retirement to CIAC and accumulated amortization of CIAC will be required and therefore, we find an accumulated amortization of CIAC balance of \$18,637.

Working Capital Allowance

Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses of the utility. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Applying this formula, we find a working capital allowance of \$3,127 (based on O&M expense of \$25,015/8).

Rate Base Summary

We find the appropriate average test year rate base is \$31,718. Rate base is shown on Schedule No. 1-A, attached to this Order. The related adjustments are shown on Schedule No. 1-B. In the event Alturas is unable to issue customer deposit refunds and interest payments to former customers, the resulting total of the unclaimed refunds and associated accrued interest shall be credited to CIAC in the Utility's next rate proceeding. Finally, Alturas shall be required to file six monthly status reports in this docket, beginning April 15, 2016, to provide the status of the correction of the landownership issue.

Rate of Return on Equity

As stated before, no capital structure balance was available for Alturas for 2014. Based on a review of the Alturas' Annual Reports, our audit staff initially determined that the Utility's capital structure is composed entirely of owners' equity because no debt or customer deposits were disclosed. However, our audit staff could not determine the Utility's equity balance from its 2013 Annual Report or 2013 Federal Tax Return. Pursuant to Order No. PSC-05-0309-PAA-WU, wherein we approved the transfer of Alturas to the current owner, the purchase price was \$45,000 for the system.¹⁶ The purchase price was paid with cash in several installments. Therefore, we have increased common equity by \$45,000 to reflect the owner's equity in the system. In addition, Alturas subsequently provided customer deposit records that indicated the Utility was holding \$986 in customer deposits during the test year. Accordingly, we have increased customer deposits by \$986 to reflect the Utility's customer deposit balance as of December 31, 2014.

The Utility's capital structure has been reconciled with the rate base. The appropriate Return on Equity (ROE) is 8.74 percent based upon our approved leverage formula currently in effect.¹⁷ Therefore, we find a ROE of 8.74 percent, with a range of 7.74 percent to 9.74 percent, and an overall rate of return of 8.53 percent. The ROE and overall rate of return are shown on Schedule No. 2, attached to this Order.

Test Year Revenues

At the time of our audit, Alturas had not closed its books for calendar year 2014, which is the test year in this docket. As a result, our adjustments are to the Utility's estimated test year revenues. Alturas estimated test year revenues of \$26,138, which did not include any miscellaneous revenues. Alturas recorded five months of miscellaneous revenues during the test year, which totaled \$75. Because no records were provided for the remaining seven months of the test year, we estimated that a similar number of miscellaneous service events would occur throughout the remaining months and determined that additional miscellaneous revenues of \$75 shall be added. Therefore, we increase Alturas' test year revenues by \$150.

As discussed below in the Operating and Maintenance Expenses section of this Order, Alturas has taken steps to properly record miscellaneous revenues. During the test year, Alturas had a four year rate reduction that became effective on August 14, 2014. However, Alturas did not reduce the rates when the revised tariff was approved. We have verified that Alturas reduced its rates in May 2015. The disposition of the over-collection of rate case expense is discussed below in the Over-Collection of Rate Case Expenses section of this Order. Based on our adjustments to miscellaneous revenues and the annualized reduced rates, we have increased

¹⁶ Order No. PSC-05-0309-PAA-WU, issued on March 21, 2005, in Docket No. 040160-WU, In re: Application for transfer of portion of Certificate No. 582-W by Keen Sales, Rentals, and Utilities, Inc. to Alturas Utilities, L.L.C., in Polk County.

¹⁷ Order No. PSC-15-0259-PAA-WS, issued on July 2, 2015, in Docket No. 150006-WS, In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

service revenues by \$1,855 to reflect a service revenue of \$27,993. Therefore, we find that the appropriate test year revenues for Alturas' water system are \$28,143 (\$27,993 + \$150).

Operating Expenses

As discussed above in the Allocation of Common Cost section of this Order, Alturas had not yet prepared its accounting records for 2014 at the time of our audit. Instead, Alturas provided our audit staff with an Expense Summary schedule of actual and estimated expenses of \$43,921, some invoices, and some cancelled checks. The Utility's sister company, Sunrise, also filed an application for a SARC that was processed concurrently under Docket No. 140220-WU. We noted that the majority of information used to verify Alturas' test year expenses involved shared operator services between the two Utilities or comingled banking operations due to severe cash flow problems. Based on a review of the available information for both Alturas and Sunrise, we determined Alturas' test year operating expenses to be \$34,234 for the test year ending December 31, 2014. In addition, we made several adjustments to Alturas' operating expenses, as summarized below.

Subsequent to the audit, Alturas made several changes in its contractual service providers. Alturas also changed some procedures to improve the operation of the Utility and address some concerns discussed in our staff's audit report and raised by the Utility's customers. In response to several of our staff's data requests, Alturas also provided additional documentation to support some previously unsupported expenses, some requested pro forma expenses, and some new pro forma expenses related to the Utility's efforts to improve its operations. Based on both the test year and supplemental information, we have made several adjustments to the Utility's operating expenses, as summarized below. In addition, we made several adjustments in response to concerns raised by OPC in its June 11, 2015, letter, filed in this docket, and at a December 9, 2015, noticed informal meeting with our staff.

Operation and Maintenance (O&M) Expenses

Salaries and Wages – Officers (603)

Alturas' Expense Summary does not include this account. Alturas currently has two officers: an administration officer and a president. The administration officer is the Utility owner and serves as the primary officer responsible for overseeing the daily operations of the Utility. We previously approved an annual officer's salary of \$12,000 for Alturas' sister company, Sunrise, in its last SARC.¹⁸ At that time, the owner's duties included interfacing with the Utility's contractual manager on the day-to-day operations, reviewing the monthly meter reading reports, reviewing monthly bank statements, preparing the annual report, and compiling financial data for the CPA to prepare the federal income tax return. Currently, the owner works with the Utility's four contractual service providers to oversee the financial and operational functions of Alturas and Sunrise.

¹⁸ Order No. PSC-12-0533-PAA-WU, issued on October 9, 2012, in Docket No. 110238-WU, Re: Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

As discussed above in the Allocation of Common Costs section of this Order, we found common costs to be allocated between Alturas and Sunrise based on ERCs, with 22 percent allocated to Alturas and the remaining 78 percent allocated to Sunrise. We determined that the appropriate allocation of the administration officer/owner's salary to Alturas is \$2,640 ($\$12,000 \times .22 = \$2,640$). Accordingly, we have increased this account by \$2,640 to allocate the 22 percent of the \$12,000 salary to Alturas.

During the test year, Alturas also paid \$750 to the Utility's president who assists the owner with utility matters as needed, including annual work related to preparation of the Annual Report and income tax forms. We increased this account by \$165 to reflect the appropriate 22 percent allocation of the president's salary to Alturas ($\$750 \times .22 = \165).

In its June 11, 2015, letter, OPC suggested that the administration officer/owner's salary should be re-evaluated due to the severe accounting record deficiencies and the owner's lack of response to several warning letters from the PCHD. As discussed above in the Quality of Service section of this Order, a 25 percent penalty shall be applied to the officers' salaries for unsatisfactory quality of service. We have applied this penalty to the administration officer/owner's salary of \$2,640, resulting in a \$660 penalty decrease. We have also applied this penalty to the president's salary of \$165, resulting in a \$41 decrease. Therefore, we have decreased this account by a total of \$701 to reflect a 25 percent reduction in both officers' salaries allocated to Alturas. The resulting officers' salaries allocated to Alturas following the penalty reduction are \$1,980 for the administration officer/owner and \$124 for the president. As additional information, the total combined salaries for Alturas and Sunrise following all of our adjustments are \$9,000 for the administration officer/owner and \$563 for the President.

In summary, our total adjustment to this account is an increase of \$2,104 ($\$2,640 + 165 - 701 = \$2,104$), and approve a salaries and wages – officers' expense of \$2,104.

Purchased Power (615)

Alturas' Expense Summary reflects \$1,542 in this account, however, Alturas was only able to provide 9 electric power invoices for the test year. We were able to substantiate the amounts for two of the three missing invoices using payment information included on subsequent invoices. We also estimated the missing December 2014 invoice amount by using the average of the billed amounts for January through November 2014. Consequently, we have decreased this account by \$104 to reflect the correct test year purchased power expense, resulting in an adjusted balance of \$1,438. The \$104 adjustment includes removal of \$20 in late payment fees that are not recoverable through the Utility's rates.

In addition, as discussed above in the Excessive Unaccounted for Water section of this Order, we found an EUW adjustment of 32 percent. Therefore, we have decreased the adjusted balance by \$460 ($\$1,438 \times .32 = \460) to reflect a 32 percent EUW adjustment. Our total adjustment is a decrease of \$564, and approve a purchased power expense of \$978.

Chemicals (618)

The Utility's Expense Summary reflects chemicals expense of \$772. We verified this amount and determined it was appropriate for the test year. However, as discussed above in the Excessive Unaccounted for Water section of this order, we approved an EUW adjustment of 32 percent. Accordingly, we have decreased this account by \$247 to reflect a EUW adjustment of 32 percent ($\$772 \times .32 = \247), and approve a chemicals expense of \$525.

Contractual Services – Overview

Subsequent to the test year, Alturas made several changes in its contractual service providers that will affect the contractual service expenses going forward. The changes are intended to address concerns raised by this Commission and the Utility's customers, and improve the Utility's operations going forward. We find that these changes will be beneficial to both the Utility and its customers. Accordingly, we find it appropriate to make some pro forma adjustments to reflect those changes. Due to the level of changes made, we find it helpful to provide an overview of the changes between the test year and current year's contractual service providers. It should be noted that Alturas does not have written contracts for any of the current contractual service providers.

As background information, the Utility began the test year with four part-time contractual service providers; an office manager, management assistant, billing assistant, and plant operator. The contractual office manager and plant operator services also included on-call work for emergency purposes. The first office manager left abruptly in the middle of the test year, causing the management assistant to immediately assume the office manager's duties, in addition to continuing the management assistant duties. Due to cash flow shortages, Alturas did not replace the management assistant, and only requested assistance from the billing assistant a few times during the test year. Consequently, Alturas only operated with an office manager and plant operator for part of the test year and much of 2015. It appears that the abrupt management changes during the test year and limited staffing may have contributed to many of the billing and service issues raised by the Utility's customers.

In September 2015, the second office manager discontinued working for Alturas. The Utility subsequently hired three additional contractual service providers; an accountant, a Utility service technician, and the former billing assistant. Alturas expanded the duties of the new contractual service providers to cover more utility functions than were covered by the previous workers. The expanded duties and specific skills of the new contractual service providers are expected to improve the Utility's operations and customer service.

In order to reduce overhead costs, Alturas' owner never established a physical office in the service area. Previously, the only option for customers who wanted to pay their bill in person was to go to the office manager's house to drop off the payment or arrange for the office manager to pick up the payment at their house. The recently hired contractual accountant has an office near the service area and has agreed to accept customer payments at that location in order to help address this concern. The contractual accountant now serves as the office manager and

bookkeeper for Alturas. The contractual accountant's services include: updating and maintaining the Utility's books and records; preparing and issuing monthly bills; preparing the monthly billing detail reports; collecting customer payments and deposits; providing a location where customers may mail or drop-off payments; providing a utility drop-box where customers may drop off payments during non-business hours; checking for payments daily during the work week; transmitting customer payments electronically to the bank on a daily basis when received during the work week; reviewing payment records and assisting with service disconnections due to non-payment; accepting customer calls regarding billing questions; handling customer complaints regarding billing issues; and assisting with preparing the financial information for the Utility's Annual Report. The accountant's contractual fees will be discussed under the contractual services – professional (631) section below.

The contractual utility service technician's duties include assisting with general system repairs, customer service repairs, new customer connections, service disconnections, monthly meter reading, mowing, answering the Utility's emergency cell phone, and being on-call 24 hours a day, 7 days a week. The utility service technician's meter reading fees will be discussed in contractual services – billing (630), and the fees for the remaining duties will be discussed in the contractual services – other (636).

During the test year, Alturas hired a contractual billing assistant to analyze the monthly accounts receivable and assist the office manager with collection of past due accounts for both Sunrise and Alturas. Due to cash flow shortages, the Utility only requested service from the billing assistant during part of the test year. In September 2015, Alturas re-hired the contractual billing assistant with expanded duties. The billing assistant's current duties include: answering the Utility's main phone number; assisting with customer complaints; assisting with reviewing and correcting the Utility's customer deposit records; assisting with researching customer records as needed; analyzing the monthly accounts receivable; and assisting with collection of past due accounts. The billing assistant's fees will be discussed in the contractual services – billing (630) section below.

Contractual Services - Billing (630)

The Utility's Expense Summary reflects \$3,169 in this account for meter reading provided by the former office manager and bill collection services provided by the billing assistant. In September 2015, the Utility hired a contractual utility service technician to begin providing the monthly meter reading services. The utility service technician's contractual fee for meter reading is \$65 per month or \$780 per year. The current fee is the same as the audited test year meter reading expense. We find this is a reasonable meter reading expense for Alturas and no adjustments are needed.

During the test year, Alturas hired a contractual billing assistant to review the monthly accounts receivable and assist with the collection of past due accounts for both Alturas and Sunrise at a monthly fee of \$400, for an annual total of \$4,800. However, the Utility only incurred \$2,100 of the contracted \$4,800 fees for Alturas and Sunrise combined. Alturas

indicated that it had only requested billing assistance from this vendor for part of the test year due to cash flow shortages.

As discussed above, in September 2015, Alturas re-hired the contractual billing assistant and indicated that the previous duties would be expanded to include answering the Utility's main phone number, assisting with customer complaints, and assisting with reviewing and correcting the Utility's customer deposit records. The new contractual fee is still \$400 per month, which covers approximately 40 hours of work per month at \$10 per hour, for an annual total of \$4,800 for Alturas and Sunrise combined. The Utility has not fully supported its request for the increase in this expense over the audited test year expense. However, we have confirmed that the billing assistant is currently working with the office manager to review delinquent accounts and address customer complaints. We find it will be beneficial to both the Utility and its customers to have a billing assistant available on a regular basis to assist customers with service complaints. We find that the hourly rate of \$10 is reasonable, and that the request for 40 hours of work per month is reasonable considering that the work will cover both Alturas and Sunrise.

At the December 9, 2015, noticed informal meeting, OPC requested that the contractual worker expenses be reviewed to avoid any duplication of duties. Based on our review, it does not appear that there will be a duplication of duties between the billing assistant and office manager. We determined that the appropriate allocation of the contractual billing assistant's expense to Alturas is \$1,056 ($\$4,800 \times .22 = \$1,056$). We decreased this account by \$1,333 to remove the unsupported expenses in this account and reflect a pro forma increase in the contractual billing services expense.

Our total adjustment to this account is a decrease of \$1,333, and approve a contractual services – billing expense of \$1,836.

Contractual Services - Professional (631)

The Utility's Expense Summary reflects \$400 in this account for preparation of the Utility's Annual Report and Federal Tax Return by its CPA. Our audit staff verified that this amount is appropriate for the test year, and we find that no adjustments are necessary.

As discussed above in Rate Base section of this Order, Rule 25-30.115, F.A.C., requires that water and wastewater utilities maintain their accounts and records in conformity with the 1996 NARUC USOA. Our audit staff determined that Alturas was not maintaining its books and records on a monthly basis as required. During the test year, Alturas did not have any employees or contractual service providers specifically hired to work on the Utility's day-to-day bookkeeping operations. Therefore, in the May 1, 2015 Staff Report, our staff recommended a pro forma adjustment to include an allowance for contractual bookkeeping expense to assist the Utility in meeting the rule requirement going forward.

Subsequently, in September 2015, Alturas hired a contractual accountant to handle the Utility's bookkeeping, billing, payment collections, billing inquiries, and billing complaints. As of the end of January 2016, Alturas had not yet begun providing any accounting records to the

accountant to begin maintaining the Utility's books and records. Due to the severe accounting deficiencies and the Utility's difficulty in complying with both our audit and technical staffs' requests for accounting supporting documentation during this case, we find it will be beneficial to the Utility and its customers for the Utility to allow a trained accountant to handle the Utility's day-to-day bookkeeping activities. Further, we find that properly maintained accounting records may help the Utility to better monitor and manage its cash flow. Therefore, despite the Utility's delay in implementing this process, we find it appropriate to make a pro forma adjustment to recognize the contractual bookkeeping expense going forward.

By a letter dated January 15, 2016, the contractual accountant estimated that the initial set-up fee for Alturas will be \$250, for setting up the Utility's books and bringing forward the beginning balances. After the set-up is complete, the monthly fee will be \$100 per month, which equals \$1,200 per year. Because the initial set-up fee is non-recurring in nature, we find it would be appropriate to amortize that portion of the bookkeeping expense over a five-year period, resulting in an annual expense of \$50 ($\$250 / 5 = \50). Therefore, we have increased this account by \$1,250 to reflect the pro forma increase for the recurring annual bookkeeping fees of \$1,200 and the non-recurring fees of \$50.

In addition, Alturas has requested recovery of \$4,247 in outstanding legal fees related to Alturas' defense in a 2013 law suit filed by the Utility's former contract operator, Blount Utilities, Inc. (Blount), for outstanding payments that occurred prior to the test year. The outstanding legal fees were due in full before the end of 2015. On July 22, 2014, a Judgment was issued against Alturas for \$3,960 by the Tenth Judicial Circuit Court in favor of Blount for the uncontested outstanding balance owed for contractual services performed by Blount prior to the test year. The parties subsequently reached a settlement agreement regarding a payment plan for the balance owed, and payments of \$300 per month started on August 2014, which are to continue until the balance is extinguished. The outstanding payable balance to Blount was approximately \$2,700 as of December 31, 2014, the end of the test year.

In order to determine if it is appropriate to allow recovery of utility litigation costs from the ratepayers, we generally consider whether the litigation resulted in a benefit to the customers, whether the customers gained a benefit that would not have occurred absent the litigation process, and the materiality of the litigation costs. For example, if a utility engaged in legal action to oppose government required plant improvements that it deemed to be unnecessary and won the lawsuit, the customers would receive the direct benefit of a lower rate base and thus lower rates. In the instant case, we do not find the litigation resulted in any direct benefit to the customers. The litigation was the result of one of the Utility's former managers not paying the plant operator in a timely manner for services rendered. Alturas was successful in receiving a lower interest rate as a result of the litigation. However, since our practice is to disallow recovery of late payment fees or interest charges resulting from untimely payments, the reduced interest rate is a direct benefit to the stockholders/owners rather than the customers. In addition, the interest savings is not sufficient to offset the litigation costs. Consequently, the legal action only served to increase the Utility's expenses rather than reduce them to the benefit of the customers. Based on the above, we find it would not be appropriate to require the customers to pay the litigation costs.

We reviewed the Utility's last SARC and recent annual reports to determine if Alturas incurred any other legal fees in recent years that would be more representative of routine, recurring legal services. Based on the information available, it appears that Alturas has not incurred any other legal fees in recent years.

Therefore, our total adjustment to this account is an increase of \$1,250 to include the new contractual accountant's bookkeeping services, and approve a contractual services – professional expense of \$1,650.

Contractual Services – Testing (635)

The Utility's Expense Summary does not include this account. We determined Alturas incurred \$1,465 in testing expense for the test year. Accordingly, we have increased this account by \$1,465.

In addition, Alturas was required by the PCHD on behalf of the DEP to conduct triennial water tests by the end of 2015. Alturas provided invoices from the contract operator totaling \$3,310 for the triennial tests. Therefore, we have increased this account by \$1,103 ($\$3,310 / 3 = \$1,103$) to include a pro forma adjustment to reflect the three-year amortization of the triennial water test costs.

Finally, Alturas requested a pro forma increase to cover \$1,900 in testing expenses for additional trihalomethane (TTHM) and haloacetic acid (HAA5) testing required by the PCHD on a quarterly basis beginning in the last quarter of 2015 and continuing through the third quarter of 2016. The first quarter's tests have been completed and it is anticipated that the second quarter's test will be completed prior to implementation of any rates approved by this Commission in this case. According to the operator's invoices, the cost for the first quarter's tests is \$475 and the estimated cost for the remaining three quarters is \$1,425, for a total of \$1,900. The Utility's operator also provided documentation from the PCHD to support that the additional testing is required. The additional testing requirement was caused by Alturas exceeding the TTHM limit on one test, and therefore, is not part of the Utility's normally recurring tests. Rule 25-30.433(8), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. Amortizing the \$1,900 testing expense over a five-year period results in an annual increase of \$380 in the Utility's testing expense. Due to the serious nature of this testing requirement, we find the testing expense warrants inclusion in this rate proceeding.

In accordance with this Commission's practice, our staff calculated a Phase II revenue requirement for the pro forma testing that will not be completed until the second and third quarters of 2016 and determined that the Phase II revenue requirement would be only \$201 or 0.69 percent above the Phase I revenue requirement. If all of the pro forma testing expense is included in Phase I, rate case expense can be reduced by a total of \$41 or approximately \$10 per year over the four-year amortization period due to elimination of the additional customer noticing that would be required upon implementation of the Phase II rate increase. Although pro

forma plant additions and expenses are often addressed using a phased approach, we find it appropriate to include the pro forma testing expenses in the initial revenue requirement in this case because of the minimal impact of the pro forma testing expense on the initial revenue requirement, as well as the additional benefit of reducing rate case expense. Therefore, we have increased this account by \$380 to reflect a pro forma increase to cover the additional TTHM and HAA5 testing expense. Alturas shall be required to file documentation in this docket by December 31, 2016, showing that the tests have been completed. The documentation shall include a copy of the test results and final invoices. We do not find it is necessary to hold the docket open until this information is filed since the PCHD is monitoring the Utility's completion of these tests and the test results.

Our total adjustment to this account is an increase of \$2,948, and approve a contractual services – testing expense of \$2,948.

Contractual Services - Other (636)

The Utility's Expense Summary reflects \$19,545 in this account broken down by \$5,950 for contractual office management; \$6,855 for contractual utility operations; and \$6,740 for supplies, maintenance and repairs. In September 2015, Alturas hired a contractual accountant to take over the majority of the office management duties. We confirmed that the contractual accountant has charged Alturas and Sunrise a combined fee of \$1,200 per month beginning September 10, 2015 through January 10, 2016. It was initially expected that the \$1,200 fee would only be charged for the first three months for additional work required to learn the billing system, bring the billing records up-to-date, and address unresolved billing inquiries and complaints. However, the workload has not yet decreased as expected. Consequently, the \$1,200 per month fee will continue until the office begins to operate more smoothly, and then will decrease to \$800 per month thereafter. At this time, it is expected that the \$1,200 per month fee will be needed through May 2016. In addition to the monthly fee, the contractual accountant will also be reimbursed for any additional costs incurred, such as postage and utility office supplies.

Because the additional \$400 per month fee is considered to be temporary and part of the initial set-up cost under the new office management arrangement, we find it appropriate to allow recovery of those costs as non-recurring expenses over a five-year period. The total non-recurring expense for Alturas and Sunrise combined is \$3,600 ($\$400 \times 9 \text{ months} = \$3,600$), which translates to an annual expense of \$720 when amortized over five years. We determined that the appropriate allocation of the non-recurring contractual office management fees to Alturas is \$158 ($\$720 \times .22 = \158). The remaining \$800 per month fee shall be treated as a recurring expense, which equals \$9,600 per year. The appropriate allocation of the recurring contractual office management expense to Alturas is \$2,112 ($\$9,600 \times .22 = \$2,112$). Alturas' total contractual office management expense allocation, including both the recurring and non-recurring fees, is \$2,270. Therefore, we decreased this account by \$3,680 to reflect the pro forma change in contractual office management expense ($\$2,270 - \$5,950 = -\$3,680$).

In its June 11, 2015, letter, OPC expressed concern about Alturas' procedures for handling cash payments from customers. Specifically, OPC expressed concern about whether or not the cash payments are being properly recorded against accounts receivable, whether or not the cash collections of miscellaneous service charges are being recorded and included in test year revenues, and whether or not the accounts receivable aging reports accurately reflect these collections. We determined that Alturas includes the type of payment in its billing records when recording monthly bill payments. For example, the records indicate if the payment was made by cash, check, money order, or money transfer. In addition, the Utility's customer deposit records indicate if the initial customer deposits were paid by cash, check, money order, or money transfer.

The area of concern appears to be limited to the handling of miscellaneous service charges. The Utility's owner acknowledged that he had authorized the contractual office manager and office manager assistant to keep any miscellaneous service charges collected as payment for their work related to the customer disconnections and reconnections. Because miscellaneous service charges are designed to cover the additional costs incurred to provide a specific miscellaneous service, it is acceptable for Alturas to use those funds to pay for the contractual work needed to accomplish those services. However, it is incorrect for Alturas to omit the miscellaneous service charge assessments and payments from the billing records and revenues.

In addition, our staff attempted to review the Utility's billing records to determine whether or not Alturas properly assessed the miscellaneous service charges in accordance with Commission rules and the Utility's approved tariff. Alturas was not able to provide all of the records that are needed to complete this type of review. The Utility's owner informed our staff that the former office manager had deleted 11 months of billing records in error. Therefore, the only records available during that time period are the specific reports that were printed prior to the deletion. Based on the available records, we find that Alturas does experience some issues with delinquent payments. However, we have not been able to determine if the customers were given proper disconnection notices and assessed the miscellaneous service charges within the proper timeframes prescribed by our rules during the test year. We also note that the delinquent payments appear to be more of an issue for Sunrise than Alturas.

Based on our review, it appears Alturas may be in apparent violation of the following rules and statute. Rule 25-30.335(7), F.A.C., which requires that utilities shall maintain a record of each customer's account for the most current two years so as to permit reproduction of the customer's bills during the time that the utility provided service to that customer. Rule 25-30.320, F.A.C., which sets forth the guidelines that utilities must follow when refusing or discontinuing service, including disconnection for non-payment of bills. Section 367.081, F.S., which requires that a utility may only charge rates and charges that have been approved by this Commission.

At this time, we do not find that show cause proceedings should be initiated against Alturas for the apparent violations related to the maintenance of customer records and handling of miscellaneous service charges. It appears that Alturas has taken steps to correct these issues. The Utility indicated that it has discontinued accepting customer payments in the field. As discussed previously, customers now have the additional option of paying in person or using a drop box at the contractual accountant's office. Based on our review, it appears that Alturas has taken the necessary steps to ensure that future miscellaneous service charges are correctly recorded. Also, the separation of duties between the office manager and utility service technician working in the field allows for better oversight of the handling of cash collections. Finally, under the Utility's current procedures, customers are first sent a letter regarding their past due payment, and then sent a second notice regarding disconnection only if the bill remains unpaid. Providing a past due notice prior to a disconnection notice goes beyond what it required in the Rule and helps to demonstrate the Utility's willingness to work with customers to resolve payment issues prior to disconnecting service. However, Alturas is put on notice that, if the Utility fails to maintain its customer records or to properly account for miscellaneous service charges in compliance with our regulations in the future, then Alturas may be subject to a show cause proceeding by this Commission, including penalties.

As noted above, Alturas included \$6,855 in this account for contractual utility operations. We determined that the appropriate contractual operator's expense for Alturas is \$4,288, which includes the plant operator's monthly fees, inspection reports, repairs, and flushing. In its June 11, 2015, letter, OPC expressed a concern about possible duplication of mowing expenses because the test year included charges for mowing by the office manager and plant operator. As discussed above, the new contractual utility service technician will be responsible for mowing the plant site going forward. Therefore, we did not include any mowing expense in the \$4,288 operator's expense calculation. Although the utility service technician will be assisting with repairs in the field going forward, we find that there will still be a need for the operator to make utility repairs related to the plant. Consequently, we do not find that a reduction to the repair portion of the operator's expenses is necessary. The operator's monthly fees are allocated between Alturas and Sunrise based on ERCs. The inspection report, repair, and flushing expenses are based on direct costs for Alturas. We decreased this account by \$2,567 to reflect the appropriate contractual operator's expense ($\$4,288 - \$6,855 = \$2,567$).

The Utility's Expense Summary reflected \$6,740 for supplies, maintenance, and repairs. The Utility's total includes test year repairs of \$1,019 based on four repair invoices for electrical plant repairs and meter repairs. In its June 11, 2015, letter, OPC questioned whether it was reasonable and prudent for Alturas to make four chlorine pump repairs in one year, and whether the repair costs should be treated as non-recurring expenses. According to information provided by the Utility's contract operator, the chlorine pump required repairs in January and April 2014, due to calcium build up, in May 2014, due to a lightning strike, and in June 2014, due to a hole in a discharge tube. We find it reasonable to expect that Alturas may require this level of repairs on an annual basis. Therefore, we do not find it is necessary to amortize any of the test year repairs as non-recurring.

As noted above, the Utility's Expense Summary also includes expenses related to chemicals, testing, and miscellaneous expenses. We reclassified those expenses to the correct expense accounts. In addition, we determined that some expenses were unsupported and were removed. Accordingly, we have decreased this account by \$5,721 ($\$1,019 - \$6,740 = -\$5,721$) to reflect the appropriate repair expense for the test year.

In its June 11, 2015, letter, OPC noted that the Alturas test year expenses included an invoice for \$225 for checking meters, but that only \$56 of that expense was for checking meters for Alturas. The remaining \$159 was for checking meters for Sunrise. OPC proposed that \$159 should be removed from the Alturas expenses. We agree that it is appropriate to reclassify \$159 of the meter testing expense to Sunrise, and decreased this account by \$159.

In September 2015, Alturas hired a contractual utility service technician to assist with general system repairs, customer service repairs, new customer connections, service disconnections, monthly meter reading, mowing, answering the Utility's emergency cell phone, and being on-call 24 hours a day, 7 days a week. As discussed above under Account 630 – Contractual Services – Billing, the utility service technician's contractual fee for meter reading is \$65 per month or \$780 per year. In addition to the meter reading fees, Alturas indicated that it intends to pay this contractual service worker \$250 per week for 25 hours of work at an hourly rate of \$10 for the remaining work duties, which results in an annual expense of \$13,000 for Alturas and Sunrise combined for the remaining field work and on-call duties. In addition, Alturas has requested a transportation expense allowance for this contractual service worker, which is discussed in more detail below under Account 650 – Transportation Expense.

Alturas has not fully supported its request for this level of contractual service fees. However, our audit staff did verify test year expenses for the former office manager and office manager assistant related to some of these duties. In addition, Alturas provided several invoices for work performed by a new utility service technician in September and October 2015. Our staff also confirmed that Alturas currently has a contractual service worker performing these job duties. We find it beneficial to both the Utility and its customers to have a contractual utility service technician available on a regular basis to assist customers with service issues and to work on utility maintenance. We find the hourly rate of \$10 is reasonable and comparable to fees approved for other utilities, and find the request for 25 hours of work per week is reasonable considering that the work will cover both the Alturas and Sunrise service territories. Consequently, we increased this account by \$2,860 to reflect Alturas' allocation of this expense ($\$13,000 \times .22 = \$2,860$).

Finally, as discussed above, a Judgment was issued against Alturas for \$3,960 for outstanding payments owed to Blount for contractual services related to the plant operation and maintenance. Alturas has requested consideration of the outstanding balance and monthly payments of \$300 in the instant case. Although the Judgment and payment plan were finalized during the 2014 test year, the outstanding balance is for work performed by Blount prior to the test year. Historically, we have determined that the recovery of past expenses from current customers constitutes retroactive ratemaking and is disallowed. Accordingly, we do not find it appropriate to recognize the past amounts owed to Blount in the instant proceeding.

Our net adjustment to this account is a decrease of \$9,267 ($-\$3,680 - \$2,567 - \$5,721 - 159 + 2,860 = -\$9,267$), and approve a contractual services – other expense of \$10,278.

Transportation Expense (650)

The Utility's Expense Summary reflects \$1,233 in this account. We could not verify how this amount was determined. We determined that the former office manager's expense included mileage reimbursements of approximately \$14 for Alturas and \$97 for Sunrise during January through May 2014. The expense was primarily related to mileage incurred conducting customer disconnections and reconnections, and was calculated based on a mileage rate of \$0.50 per mile. The second office manager during the test year did not claim any mileage, but expressed concern about having to use her personal vehicle for utility work at her own expense.

In its January 26, 2016, letter, Alturas requested a transportation expense for the contractual utility service technician of \$75 per month, or \$900 annually, for Sunrise and Alturas combined. Alturas did not provide any documentation to support this request, such as records of any recent mileage reimbursements or written contracts indicating that transportation expense will be provided. However, in consideration of the Utility's previous practice of reimbursing the former office manager's mileage expense and the physical distance between the Alturas and Sunrise service areas, we find it appropriate to include a mileage allowance. Also, it appears that the lack of full reimbursement of additional expenses incurred by the Utility's contractual service workers may be a contributing factor in the high level of turnover experienced by Alturas and Sunrise. Inclusion of a mileage allowance may help Alturas retain its contractual service workers longer, thereby improving the consistency and stability in the Utility's field operations.

Alturas requested \$75 per month transportation expense would allow reimbursement of approximately 34 miles per week at the test year mileage rate of \$0.50 per mile. The Alturas and Sunrise service territories are located approximately 18 miles apart. We find the majority of the utility service technician's work will be conducted within each of the Utilities' service territory with minimal driving required. However, on occasion it will be necessary for the utility service technician to drive between the Alturas and Sunrise service territories or to a store to purchase parts for repairs. We find the Utility's requested expense to be sufficient to cover the transportation expense for both the more frequent in-territory driving, as well as the less frequent out-of-territory driving. We determined that the appropriate allocation of the transportation expense to Alturas is \$198 ($\$900 \times .22 = \198). The remaining \$702 will be allocated to Sunrise. Consequently, we decreased this account by \$1,035 to remove the unsupported test year expenses and reflect a pro forma transportation expense increase, and approve a transportation expense of \$198.

Insurance Expense (655)

The Utility's Expense Summary reflects \$1,576 in this account. We increased this account by \$31 to reflect the current year's general liability insurance premium, and approve an insurance expense for the test year of \$1,607.

Regulatory Commission Expense (665)

The Utility's Expense Summary does not include this account. Alturas is required by Rule 25-22.0407, F.A.C., to provide notices to its customers of the customer meeting and notices of final rates in this case. For noticing, we estimated \$55 for postage expense, \$34 for printing expense, and \$5 for envelopes, which results in \$94 for the noticing requirement. Alturas also paid a \$1,000 rate case filing fee.

The Utility also provided an invoice for accounting fees of \$450 for work performed by the Utility's CPA related to the SARCs for both Alturas and Sunrise. The work performed was similar for both Utilities. Therefore, we find it appropriate to allow Alturas to recover half or \$225 of the accounting expense and allow Sunrise to recover the remaining \$225 of rate case related accounting expense. In addition, the Utility provided invoices for \$800 in additional work performed by the Utility's contract operator to assist with the Alturas SARC, such as answering our staff's data requests related to plant operations and attending the customer meeting. We have reviewed the invoices and find it appropriate to allow recovery of these expenses in rate case expense. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a four-year period. Based on the above, we find a total rate case expense for the instant case of \$2,119 (\$94 + \$1,000 + \$225 + \$800), which amortized over four years is \$530. Our total adjustment to this account is an increase of \$530, resulting in a regulatory commission expense of \$530.

Bad Debt Expense (670)

The Utility's Expense Summary reflects \$516 in this account. During the audit, the Utility provided a list of Alturas and Sunrise accounts that were written-off during the test year. Only one account was written-off for Alturas in the amount of \$671, which equals 2.38 percent of the test year revenues or 2.16 percent of our approved revenue requirement. In its June 11, 2015, letter, OPC expressed concern that Sunrise's bad debt expense is excessive, but did not discuss Alturas' bad debt expense. The Utility did not provide any supporting documentation showing how it calculated the bad debt write-offs, but did acknowledge that the test year bad debt expense included multiple years of bad debt write-offs.

Our practice is to calculate bad debt expense using a three-year average, typically based on the test year plus two years of annual report data. It appears that the bad debt expense for the two years prior to the test year may have included multiple years of write-offs as well. Therefore, we are unable to calculate a reliable three-year average using the traditional method. As an alternative, we find it appropriate to calculate an average bad debt expense based solely on the test year expense. This results in a bad debt expense of \$224 ($\$671 / 3 = \224), which is 0.72 percent of our approved revenue requirement.

At the December 9, 2015, noticed informal meeting, OPC asserted that the large write-offs may be the result of errors in the recording of cash payments and poor bookkeeping practices, and that bad debt expense should not exceed 1 percent. We reviewed a sample of 15 SARCs, which had bad debt expense ranging from zero to over 4 percent, with 60 percent of the sample falling below the 1 percent range and 27 percent of the sample falling in the 0.50 to 1 percent range. Therefore, we find that a bad debt expense of 0.72 percent falls within a reasonable range. Although we are not opposed to OPC's 1 percent suggestion, that approach would actually increase the bad debt expense for Alturas. Based on our review of the available billing records, it appears that Alturas has a lower incidence of high delinquent balances than Sunrise, and therefore, would be expected to have a lower bad debt expense percentage. In an effort to provide as much uniformity in the rate-setting methods used for both companies, we find it more appropriate calculate a specific bad debt expense for each company based on the test year data.

Based on the above, we decreased this account by \$292, and approve a bad debt expense of \$224.

Miscellaneous Expense (675)

The Utility's Expense Summary reflects \$2,201 in this account. We decreased this account by \$260 to reflect the appropriate test year miscellaneous expense for the Utility's annual permit and license renewal fees, cell phones, postage, and office supplies. We used the Utility's direct actual expense for the PCHD annual drinking water permit, the SWFWMD annual water permit, and the Department of State's Division of Corporation's annual filing fee. In addition, we used the ERC allocation method to allocate the common miscellaneous expenses related to the Utility's cell phone, postage, and office supplies.

In its June 11, 2015, letter, OPC noted the Utility's test year miscellaneous expense included additional work performed by the contractual plant operator to assist with the transition between office managers. OPC asserts this is a non-recurring expense that should not be included in setting future rates. We agree that this work is outside the scope of the operator's regularly recurring duties, however, we find it more appropriate to amortize the non-recurring expense over a five-year period consistent with Rule 25-30.433(8), F.A.C. The operator's expense was \$740 for Sunrise and Alturas combined. Thus, we increased this account by \$33 to reflect Alturas' amortized allocation of that expense ($\$740 / 5 = \148 ; $\$148 \times .22 = \33).

In August 2015, the Utility became a member of the Florida Rural Water Association (FRWA) and provided proof of payment of the Utility's annual membership dues. Therefore, we increased this account by \$163 to reflect a pro forma adjustment for the Utility's annual FRWA membership dues. We remind Alturas that the membership dues included in the Utility's revenue requirement are intended to serve as annual recurring expense for the purpose of renewing the Utility's FRWA membership each year.

In addition, we have increased this account by \$30 to make a pro forma adjustment to reflect Alturas' amortized allocation of the Utility's purchase of a billing software update, an additional billing software license, and billing software training for the contractual office manager. Finally, we increased this account by \$17 to make a pro forma adjustment to reflect Alturas' amortized allocation of an electronic bank deposit machine that enables the contractual office manager to electronically deposit customers' payments on the business day the payments are received. Alturas made these pro forma purchases in an effort to improve the Utility's billing and collection practices. Therefore, we find it appropriate to make these pro forma adjustments and allow the Utility to recover these expenses as non-recurring expenses over a five-year period. Our net adjustment to this account is a decrease of \$64 ($-\$260 + 33 + 163 + 30 + 17 = -\64), resulting in a miscellaneous expense of \$2,137 for the test year.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, we find Alturas' O&M expense shall be decreased by \$5,939, resulting in total O&M expense of \$25,015. Our approved adjustments to Operating Expenses are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Amortization of CIAC)

No depreciation expense balances for Alturas were available for 2014. Our audit staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined a test year depreciation expense of \$1,727. We decreased this account by \$103 to reflect retirement of certain pro forma items from the Utility's last SARC, as discussed above in the Allocation of Common Costs section of this Order, reducing the test year depreciation expense to \$1,624. In addition, because the Utility's CIAC is fully amortized and there has been no CIAC activity since the Utility's last SARC, there is no amortization of CIAC expense. Therefore, we find a depreciation expense of \$1,624.

Taxes Other Than Income (TOTI)

The Utility's Expense Summary reflects \$3,280 in TOTI for the test year, although an official balance for 2014 was not yet available at the time of our audit. We increased this account by \$90 to reflect the appropriate test year RAFs. Also, we decreased this account by \$1,747 to reflect the appropriate test year property taxes and remove license and permit renewal fees that are currently included in Account No. 675 – Miscellaneous Expense. Our net adjustment to test year TOTI is a decrease of \$1,657. In addition, as discussed above, revenues have been increased by \$2,958 to reflect the change in revenue required to cover expenses and allow the approved rate of return. As a result, TOTI is increased by \$133 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, we find a TOTI of \$1,757.

Operating Expenses Summary

Our approved adjustments to Alturas' test year operating expenses result in operating expenses of \$28,395. Our approved adjustments to Operating Expenses are shown on Schedule Nos. 3-A and 3-B. In addition, Alturas is required to file documentation in this docket, by December 31, 2016, showing that the pro forma trihalomethane and haloacetic acid tests have been completed. The documentation shall include a copy of the test results and final invoices. Alturas is also required to file six monthly status reports, beginning April 15, 2016, to provide the status of its contractual service providers, including the name and position of each contractual service provider currently providing services for the Utility.

Revenue Requirement

Alturas shall be allowed an annual increase of \$2,958 (10.51 percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.53 percent return on its investment. The calculations are as follows:

Water Revenue Requirement	
Adjusted Rate Base	\$31,718
Rate of Return	x 8.53%
Return on Rate Base	\$2,706
Adjusted O&M Expense	25,015
Depreciation Expense (Net)	1,624
Taxes Other Than Income	1,757
Income Taxes	0
Revenue Requirement	\$31,101
Less Adjusted Test Year Revenues	28,143
Annual Increase	\$2,958
Percent Increase	10.51%

Rate Structure and Rates

As stated above, Alturas is located in Polk County within the SWFWMD. Alturas provides water service to approximately 51 residential customers and 10 general service customers. Approximately 5 percent of the residential customer bills during the test year had zero gallons, indicating a non-seasonal customer base. The average residential water demand is 5,455 gallons per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) and uniform gallonage charge for all customers. In the Utility's last rate case, a BFC allocation of 30 percent was approved.

We performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably

distribute cost recovery among the utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with this Commission's practice.

We evaluated whether it was appropriate to change the design of the Utility's current rate structure. Based on our analysis, establishing a non-discretionary usage threshold for restricting repression results in a *de minimis* amount of repression to residential gallons for rate setting purposes. Therefore, we approve an across-the-board increase of 10.57 percent to the existing rates and no repression adjustment to water consumption. The 10.57 percent increase reflects the approved revenue increase excluding miscellaneous revenue. The Table below contains our approved rates as an across-the-board increase to the existing rate structure and rates, and two alternative rate structures, which include a block for non-discretionary usage.

Approved and Alternative Water Rate Structures and Rates

	RATES AT TIME OF FILING	COMMISSION APPROVED ACROSS-THE-BOARD	ALTERNATIVE I (30% BFC)	ALTERNATIVE II (35% BFC)
Residential				
5/8" x 3/4" Meter Size	\$11.28	\$12.47	\$12.67	\$14.79
Charge per 1,000 gallons				
All Gallons	\$5.09	\$5.63		
0-5,000 gallons			\$5.91	\$5.49
Over 5,000 gallons			\$6.27	\$5.74
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
3,000 Gallons	\$26.55	\$29.36	\$30.40	\$31.26
5,000 Gallons	\$36.73	\$40.62	\$42.22	\$42.24
10,000 Gallons	\$62.18	\$68.77	\$73.57	\$70.94

Rate Structure & Rates Summary

Our approved rate structures and monthly water rates are shown on Schedule No. 4 attached to this Order. Alturas shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. Alturas shall provide proof of the date notice was given within 10 days of the date of the notice.

Four Year Rate Reduction

Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs which is \$561. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4 attached to this Order.

Alturas is required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. Alturas also is required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Alturas files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Over-Collection of Rate Case Expense

As discussed previously, Alturas did not implement the four-year rate reduction that became effective on August 14, 2014. Our staff verified that Alturas began billing the reduced rates in May 2015. Alturas has indicated it issued refunds to customers for the over-collection of rate case expense. On several occasions, our staff requested the utility provide documentation of the refund, including the total amount issued. To date, Alturas has not provided the documentation. We estimate the amount of over-collection to be approximately \$281.

Based on the above, Alturas shall be required to refund customers the amount of over-collected rate case expense. The refund shall be made in accordance with Rule 25-30.360, F.A.C. Alturas shall file monthly reports on the status of the refund by the twentieth of the following month pursuant to Rule 25-30.311(7) F.A.C. In addition, Alturas is required to provide monthly reports, beginning April 15, 2016, until it has satisfactorily refunded the appropriate amount of rate case expenses it over-collected.

Customer Deposits

Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. Historically, we have set initial customer deposits equal to two times the average estimated bill.¹⁹ Currently, the Utility's existing initial deposit for residential and general service customers is \$65 for the 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other general service meter sizes are two times the average estimated bill. Based on our approved rates, the appropriate initial deposit for

¹⁹ Order No. PSC-13-0611-PAA-WS, issued on November 19, 2013, in Docket No. 130010-WS, In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC., and Order No. PSC-14-0016-TRF-WU, issued on January 6, 2014, in Docket No. 130251-WU, In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.

residential customers shall be \$86 for the 5/8 inch x 3/4 inch meter size to reflect a two month average customer bill and two times the average estimated bill for all other residential and general services meter sizes.

During this processing of this matter, we discovered that Alturas was in apparent violation of Rule 25-30.311, F.A.C. During our review of the Utility's customer records, we noted that Alturas failed to properly record the amount of each deposit, failed to pay the appropriate amount of interest on customer deposits, and failed to refund residential customer deposits after 23 months of satisfactory payment. Alturas is currently working on correcting these issues. On February 15, 2016, Alturas provided a copy of its current Customer Deposit Report, which indicated that a few customers had received a credit for interest payments on their deposits. The Utility has indicated it will refund customer deposits by the end of February 2016 to those customers who are entitled to a refund. Alturas shall continue to work on its compliance with Rule 25-30.311, F.A.C. The Utility is required to provide monthly reports until it has satisfactorily refunded the appropriate amount of customer deposits and applied the appropriate interest on customer deposits. Our staff is given administrative authority to determine when Alturas is in compliance with Rule 25-30.311, F.A.C. We find that Alturas is moving forward to make corrective actions to resolve the issues regarding the customer deposits. Therefore, we find that enforcement action against Alturas is not warranted at this time. However, Alturas is put on notice that if the Utility does not resolve the customer deposit errors within a reasonable times and/or its deposit records are found to be out of compliance with our regulations in the future, Alturas may be subject to a show cause proceeding by this Commission, including penalties.

Based on the above, we find the appropriate initial customer deposits to be \$86 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved customer deposits shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. Alturas shall be required to charge the approved charges until authorized to change them by this Commission in a subsequent proceeding.

In addition, Alturas shall continue to work on its compliance with Rule 25-30.311 F.A.C. Alturas is required to reconcile its customer deposit accounts and records within a reasonable time. The Utility is required to provide monthly reports, beginning April 15, 2016, until it has satisfactorily refunded the appropriate amount of customer deposits and applied the appropriate interest on customer deposits. Our staff is given administrative authority to determine when the Utility is in compliance with Rule 25-30.311, F.A.C.

Temporary Rates

This Order approves an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, we find that the approved rates are approved as temporary rates. Alturas shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The approved rates collected by Alturas shall be subject to the refund provisions discussed below.

Alturas shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$1,976. Alternatively, Alturas could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it shall contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.

6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Commission Clerk's office no later than the twentieth of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Proof of Adjustments

Alturas is required to notify the Commission, in writing that it has adjusted its books in accordance with our decision. Schedule No. 5 reflects the accumulated plant, depreciation, CIAC, and amortization of CIAC balances as of December 31, 2014. Alturas shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts, as shown on Schedule No. 5 attached to this Order, have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice shall be provided within seven days prior to deadline. Upon providing good cause, our staff is given administrative authority to grant an extension of up to 60 days.

In addition, as discussed in the Rate Base and Operation and Maintenance Expenses section of this Order, Rule 25-30.115, F.A.C., requires that water and wastewater utilities maintain their accounts and records in conformity with the 1996 NARUC USOA. Alturas is not currently maintaining its books and records on a monthly basis as required. The lack of properly maintained books and records proved to be a significant impediment to our audit staff, substantially increasing the work required to process the audit for this docket, as well as our audit in the Sunrise SARC docket. The lack of properly maintained books and records also proved to be a significant impediment to our technical staff's work on this docket. Further, the

lack of frequent bookkeeping activities hinders the Utility's ability to detect and respond to cash flow concerns on a more regular basis. Therefore, we require Alturas to maintain its books and records on a monthly basis in accordance with the NARUC USOA.

Due to the Utility's recent efforts to hire a contractual accountant to begin maintaining the books and records going forward, we do not find it is necessary to initiate a show cause proceeding at this time. However, Alturas is put on notice that if the Utility's books and records are found to be out of compliance with our regulations in the future, Alturas may be subject to a show cause action by this Commission.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Alturas Utilities, L.L.C. Utilities, L.L.C.'s application for an increase in rates and charges is hereby approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules attached hereto are incorporated by reference. It is further

ORDERED that the overall quality of service provided by Alturas Utilities, L.L.C. is unsatisfactory and, the salaries of Alturas Utilities, L.L.C.'s officers' salaries are decreased by 25 percent. Should Alturas Utilities, L.L.C. continue to show a pattern of non-responsiveness to this Commission or if its customers continue to complain about its practice of collecting payments, a show-cause proceeding may be initiated against Alturas Utilities, L.L.C. It is further,

ORDERED that Alturas Utilities, L.L.C.'s water treatment plant and its distribution system is considered 100 percent Used & Useful. It is further,

ORDERED that a 31.77 percent adjustment for Excessive Unaccounted for Water is made to Alturas Utilities, L.L.C.'s operating expenses for chemicals and purchased power. Alturas Utilities, L.L.C. is required to file six monthly status reports, beginning April 15, 2016, to provide the status of its progress to repair or replace its master flow meter. It is further,

ORDERED that the appropriate allocation of common costs to Alturas Utilities, L.L.C. is 22 percent. It is further,

ORDERED that the appropriate average test year rate base for Alturas Utilities, L.L.C. is \$31,718. It is further,

ORDERED that, in the event Alturas Utilities, L.L.C. is unable to issue customer deposit refunds and interest payments to former customers, the resulting total of the unclaimed refunds and associated accrued interest shall be credited to contributions-in-aid-of-construction in Alturas Utilities, L.L.C.'s next rate proceeding. It is further,

ORDERED that the appropriate return on equity (ROE) for Alturas Utilities, L.L.C. is 8.74 percent with a range of 7.74 percent to 9.74 percent, with an overall rate of return of 8.53 percent. It is further,

ORDERED that by December 31, 2016, Alturas Utilities, L.L.C. is required to file written documentation in this docket showing that it has corrected the land ownership issue involving Sunrise Utilities, L.L.C. It is further,

ORDERED that the appropriate test year revenues for Alturas Utilities, L.L.C.'s water system are \$28,143. It is further,

ORDERED that appropriate amount of total operating expense for Alturas Utilities, L.L.C. is \$28,395. It is further,

ORDERED that Alturas Utilities, L.L.C. is required to file documentation in this docket, by December 31, 2016, showing that the pro forma trihalomethane and haloacetic acid tests have been completed. The documentation shall include a copy of the test results and final invoices. In addition, Alturas Utilities, L.L.C. is required to file six monthly status reports, beginning April 15, 2016, to provide the status of its contractual service providers, including the name and position of each contractual service provider currently providing services for the Utility. It is further,

ORDERED that the appropriate revenue requirement for Alturas Utilities, L.L.C. Utilities, L.L.C. is \$31,101, resulting in an annual increase of \$2,958 (10.51 percent). It is further,

ORDERED that the approved rate structure and monthly water rates for Alturas Utilities, L.L.C. are shown on Schedule No. 4. Alturas Utilities, L.L.C. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates shown on Schedule 4. The revised tariff sheets shall be approved administratively upon our staff's verification that the tariff sheets are consistent with our decision herein. It is further,

ORDERED that Alturas Utilities, L.L.C.'s approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. It is further,

ORDERED that Alturas Utilities, L.L.C.'s approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as forth in this Order. Alturas Utilities, L.L.C. shall provide documentation to this Commission that the notice was provided to its customers within 10 days of the date of the notice. It is further,

ORDERED that the appropriate initial customer deposit for Alturas Utilities, L.L.C. is \$86 for the residential 5/8" x 3/4" meter size for water. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for water. The approved customer deposits shall be effective for services rendered, or connections made, on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. Alturas Utilities, L.L.C. shall be required to charge the approved charges until this Commission authorizes it to change them in a subsequent proceeding. It is further,

ORDERED that Alturas Utilities, L.L.C. shall continue to work on complying with Rule 25-30.311 F.A.C. Alturas Utilities, L.L.C. shall complete refunds within three months of this Order becoming final. Alturas Utilities, L.L.C. is required to reconcile its customer deposit accounts and records within a reasonable time. In addition, Alturas Utilities, L.L.C. is required to provide monthly reports beginning April 15, 2016, until it has satisfactorily refunded the appropriate amount of customer deposits and applied the appropriate interest on customer deposits. Our staff is hereby given administrative authority to determine when Alturas Utilities, L.L.C. is in compliance with Rule 25-30.311, F.A.C. It is further,

ORDERED that, subject to the conditions set forth in the body of this Order, immediately following the expiration of the four-year rate case expense recovery period, Alturas Utilities, L.L.C.'s rates shall be reduced as shown on Schedule No. 4 attached hereto, to remove rate case expense grossed-up for Regulatory Assessment Fees and amortized over a four-year period. It is further

ORDERED that Alturas Utilities, L.L.C. is required to refund its customers the amount of rate case expenses it over-collected in its 2009 staff-assisted rate case. The refund shall be made in accordance with Rule 25-30.360, F.A.C. Alturas Utilities, L.L.C. is required to file monthly reports on the status of the refund by the 20th of the following month, pursuant to Rule 25-30.311(7) F.A.C. In addition, Alturas Utilities, L.L.C. is required to provide monthly reports, beginning April 20, 2016, until it has satisfactorily refunded the appropriate amount of rate-case expenses it over-collected. It is further,

ORDERED that Alturas Utilities, L.L.C. shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction, no later than one month prior to the actual date of the required rate reduction. It is further,

ORDERED that if Alturas Utilities, L.L.C. files this reduction in conjunction with a price index or pass-through rate adjustment, it shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. It is further,

ORDERED that the approved rates are approved for Alturas Utilities, L.L.C. on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Alturas Utilities, L.L.C shall file revised tariff sheets and a proposed customer notice, reflecting the approved temporary rates. The approved temporary rates are effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that prior to implementation of any temporary rates, Alturas Utilities, L.L.C. shall provide appropriate security for the potential refund in the amount of \$1,976, as set out in the body of this Order. The temporary rates collected by Alturas Utilities, L.L.C. are subject to refund provisions. Alturas Utilities, L.L.C. may collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. It is further

ORDERED that, irrespective of the form of the security chosen by Alturas Utilities, L.L.C., the Utility shall maintain an account of all monies received as a result of the rate increase. It is further

ORDERED that, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Alturas Utilities, L.L.C. shall file reports with the Office of the Commission Clerk no later than the 20th of each month, indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that Alturas Utilities, L.L.C. is required to provide proof, within 90 days of the effective date of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. Our staff has administrative authority to grant Alturas Utilities, L.L.C. an extension, of up to 60 days, upon the Utility providing good cause, in writing, for additional time to complete the adjustments. It is further

ORDERED that, except for the granting of temporary rates in the event of protest, the reduction for rate case expense, and the proof of adjustment of books, which are final agency action, the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

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DOCKET NO. 140219-WU
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ORDERED that, if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a Consummating Order shall be issued. This docket shall remain open for our staff to verify that: (i) the required revised tariff sheets and customer notices have been filed by Alturas Utilities, L.L.C. and approved by our staff; (ii) Alturas Utilities, L.L.C. has adjusted its books; (iii) Alturas Utilities, L.L.C. has properly adjusted its customer deposit records and all deposit amounts that may be owed to customers have been properly refunded; (iv) Alturas Utilities, L.L.C. has properly refunded the rate case expenses it over-collected; and (v) Alturas Utilities, L.L.C. has filed the monthly status reports outlined in this Order. Once these actions are complete, this docket shall be closed administratively. It is further

ORDERED that upon the issuance of the Consummating Order in this docket, the surety bond, if any, shall be released.

By ORDER of the Florida Public Service Commission this 29th day of March, 2016.


CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KFC

DISSENT

Commissioner Patronis dissents without opinion from the Commission's decision that the overall quality of service by Alturas is unsatisfactory.

Commissioner Graham dissents with opinion from the Commission's decision that the overall quality of service by Alturas is unsatisfactory, as follows:

Rule 25.30433(1), F.A.C., requires this Commission to determine the quality for a utility's service based upon three considerations:

1. The quality of the utility's product;
2. The operational conditions of the utility's plant and facilities;
3. The utility's attempt to address customer satisfaction.

In this context, we are to consider sanitary surveys, outstanding citations, violations and consent orders on file with the Florida Department of Environmental Protection (DEP) and county health departments.

In the case before us, water provided by Alturas is in compliance with DEP and Polk County Health Department (PCHD) primary and secondary standards, and the Utility has a good record regarding customer satisfaction. The Commission majority's determination of unsatisfactory quality of service is based solely on the second consideration – operational conditions, specifically in relation to PCHD inspections.

Nothing in Rule 25.30433(1) specifies that problems related to just one of the three considerations will disqualify the Utility from a satisfactory determination. Nothing in the rule gives the three considerations equal weight – it is left to the discretion of the Commission to weigh all three and come to a reasonable conclusion regarding overall quality of service.

Plainly the quality of the Utility's product and the Utility's attempt to address customer satisfaction are considerations that more directly affect customers, and reasonably should trump regulatory matters that don't. In this case, the regulatory matters involve PCHD recommendations and do not even rise to the level of enforcement action.

Absent a health concern, which is not present in this case, I would assign more weight to water quality and customer satisfaction than I would to outstanding maintenance issues with the PCHD. As such I would have found the Utility's quality of service to be satisfactory. Therefore, I respectfully dissent from the Commission's decision on this issue.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

As identified in the body of this order, the actions proposed herein are preliminary in nature, except the decisions regarding (1) the granting of temporary rates in the event of protest, (2) the reduction for rate case expense, and (3) the proof of adjustment to NARUC USOC accounts, which are final agency action. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 19, 2016.

If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this Order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this Order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDED 12/31/14 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 140219-WU	
DESCRIPTION	BALANCE PER UTILITY	COMMISSON ADJUST. TO UTIL. BAL.	BALANCE PER COMMISSION
1. UTILITY PLANT IN SERVICE	\$59,612	\$5,316	\$64,928
2. LAND & LAND RIGHTS	500	0	500
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(18,637)	0	(18,637)
5. ACCUMULATED DEPRECIATION	(34,230)	(2,607)	(36,837)
6. AMORTIZATION OF CIAC	18,637	0	18,637
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,127</u>	<u>3,127</u>
8. WATER RATE BASE	<u>\$25,882</u>	<u>\$5,836</u>	<u>\$31,718</u>

ALTURAS UTILITIES, L.L.C.
TEST YEAR ENDED 12/31/14
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1-B
DOCKET NO. 140219-WU

UTILITY PLANT IN SERVICE

1. To reflect appropriate amount of additions in 2010 and 2011 per audit.	\$7,068
2. To reflect retirements associated with 2010 and 2011 plant additions.	<u>(1,752)</u>
Total	<u>\$5,316</u>

ACCUMULATED DEPRECIATION

1. To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(\$5,623)
2. To reflect retirements associated with 2010 and 2011 plant additions.	2,204
3. To reflect an averaging adjustment.	<u>811</u>
Total	<u>(\$2,607)</u>

WORKING CAPITAL ALLOWANCE

To reflect 1/8 of test year O&M expenses.	<u>\$3,127</u>
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ALTURAS UTILITIES, L.L.C.
TEST YEAR ENDED 12/31/14
SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMMISSION	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	<u>0</u>	<u>45,000</u>	<u>45,000</u>					
TOTAL COMMON EQUITY	\$0	\$45,000	\$45,000	(\$14,268)	\$30,732	96.89%	8.74%	8.47%
5. LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%
TOTAL DEBT	\$0	\$0	\$0	\$0	\$0	0.00%		
8. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$986</u>	<u>\$986</u>	<u>\$0</u>	<u>\$986</u>	<u>3.11%</u>	2.00%	<u>0.06%</u>
9. TOTAL	<u>\$0</u>	<u>\$45,986</u>	<u>\$45,986</u>	<u>(\$14,268)</u>	<u>\$31,718</u>	<u>100.00%</u>		<u>8.53%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>	
OVERALL RATE OF RETURN						<u>7.56%</u>	<u>9.50%</u>	

ALTURAS UTILITIES, L.L.C.
TEST YEAR ENDED 12/31/14
SCHEDULE OF WATER OPERATING INCOME

	TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$28,177</u>	<u>(\$34)</u>	<u>\$28,143</u>	<u>\$2,958</u> 10.51%	<u>\$31,101</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$30,954</u>	<u>(\$5,939)</u>	<u>\$25,015</u>	<u>\$0</u>	<u>\$25,015</u>
3. DEPRECIATION (NET)	<u>0</u>	<u>1,624</u>	<u>1,624</u>	<u>0</u>	<u>1,624</u>
4. TAXES OTHER THAN INCOME	<u>3,280</u>	<u>(1,657)</u>	<u>1,623</u>	<u>133</u>	<u>1,757</u>
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$34,234</u>	<u>(\$5,972)</u>	<u>\$28,262</u>	<u>\$133</u>	<u>\$28,395</u>
7. OPERATING INCOME/(LOSS)	<u>(\$6,057)</u>		<u>(\$119)</u>		<u>\$2,706</u>
8. WATER RATE BASE	<u>\$25,882</u>		<u>\$31,718</u>		<u>\$31,718</u>
9. RATE OF RETURN	<u>(23.40%)</u>		<u>(0.38%)</u>		<u>8.53%</u>

ALTURAS UTILITIES, L.L.C.
TEST YEAR ENDED 12/31/14
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 140219-WU
Page 1 of 2

OPERATING REVENUES

- | | | |
|----|--|---------------|
| 1. | To reflect the appropriate test year revenues. | (\$184) |
| 2. | To reflect the appropriate test year miscellaneous service revenues. | 150 |
| | Subtotal | <u>(\$34)</u> |

OPERATION AND MAINTENANCE EXPENSES

- | | | |
|----|--|------------------|
| 1. | Salaries and Wages - Officers (603) | |
| | a. To reflect appropriate allocation of administration officer/owner's salary. | \$2,640 |
| | b. To reflect appropriate allocation of president's salary. | 165 |
| | c. To reflect reduction in officers' salaries due to quality of service penalty. | <u>(701)</u> |
| | Subtotal | <u>\$2,104</u> |
| 2. | Purchased Power (615) | |
| | a. To reflect appropriate purchased power expense and removal of late fees.. | (\$104) |
| | b. To reflect 32% excessive unaccounted for water adjustment. | <u>(460)</u> |
| | Subtotal | <u>(\$564)</u> |
| 3. | Chemicals (618) | |
| | To reflect 32% excessive unaccounted for water adjustment | <u>(\$247)</u> |
| 4. | Contractual Services - Billing (630) | |
| | To reflect pro forma contractual billing assistant expense. | <u>(\$1,333)</u> |
| 5. | Contractual Services - Professional (631) | |
| | To reflect pro forma contractual bookkeeping expense. | <u>\$1,250</u> |
| 6. | Contractual Services - Testing (635) | |
| | a. To reflect appropriate annual testing expense. | \$1,465 |
| | b. To reflect pro forma 3-year amortization of triennial water tests. | 1,103 |
| | c. To reflect pro forma 5-year amortization of DEP-required additional tests. | 380 |
| | Subtotal | <u>\$2,948</u> |
| 7. | Contractual Services - Other (636) | |
| | a. To reflect appropriate contractual office manager expense. | (\$3,680) |
| | b. To reflect appropriate test year contractual operator expense. | (2,567) |
| | c. To reflect appropriate test year maintenance expense. | (5,721) |
| | d. To reclassify meter checking expense from Alturas to Sunrise. | (159) |
| | e. To reflect pro forma contractual utility service technician expense. | 2,860 |
| | Subtotal | <u>(\$9,267)</u> |
| 8. | Transportation Expense (650) | |
| | To reflect pro forma transportation expense. | <u>(\$1,035)</u> |
| 9. | Insurance Expense (655) | |
| | To reflect appropriate insurance expense. | <u>\$31</u> |

ALTURAS UTILITIES, L.L.C. TEST YEAR ENDED 12/31/14 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-B DOCKET NO. 140219-WU Page 2 of 2
OPERATION AND MAINTENANCE EXPENSES (CONTINUED)		
10.	Regulatory Commission Expense (665) To reflect 4-year amortization of rate case expense (\$2,119/4)	<u>\$530</u>
11.	Bad Debt Expense (670) To reflect appropriate bad debt expense.	<u>(\$292)</u>
12.	Miscellaneous Expense (675)	(\$260)
	a. To reflect appropriate test year miscellaneous expense.	33
	b. To reflect 5-year amortization of non-recurring miscellaneous operator expense.	163
	c. To reflect pro forma annual FRWA membership dues.	30
	d. To reflect pro forma 5-year amort. of software update, additional license, and training.	17
	e. To reflect pro forma 5-year amortization of electronic bank deposit machine.	<u>(\$64)</u>
	Subtotal	
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>(\$5,939)</u>
DEPRECIATION EXPENSE		
	To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.	<u>\$1,624</u>
TAXES OTHER THAN INCOME		
1.	To reflect appropriate test year RAFs.	\$90
2.	To reflect appropriate test year utility property taxes.	<u>(1,747)</u>
	Total	<u>(\$1,657)</u>

ALTURAS UTILITIES, L.L.C.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/14		DOCKET NO. 140219-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	COMMISSION ADJUST- MENTS	TOTAL PER COMMISSION
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	0	2,104	2,104
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	1,542	(564)	978
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	772	(247)	525
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	3,169	(1,333)	1,836
(631) CONTRACTUAL SERVICES - PROFESSIONAL	400	1,250	1,650
(635) CONTRACTUAL SERVICES - TESTING	0	2,948	2,948
(636) CONTRACTUAL SERVICES - OTHER	19,545	(9,267)	10,278
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	1,233	(1,035)	198
(655) INSURANCE EXPENSE	1,576	31	1,607
(665) REGULATORY COMMISSION EXPENSE	0	530	530
(670) BAD DEBT EXPENSE	516	(292)	224
(675) MISCELLANEOUS EXPENSE	<u>2,201</u>	<u>(64)</u>	<u>2,137</u>
	<u>\$30,954</u>	<u>(\$5,939)</u>	<u>\$25,015</u>

ALTURAS UTILITIES, LLC.
TEST YEAR ENDED 12/31/14
MONTHLY WATER RATES

	UTILITY CURRENT RATES	COMMISSION APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$11.28	\$12.47	\$0.23
3/4"	\$16.92	\$18.71	\$0.34
1"	\$28.19	\$31.18	\$0.56
1-1/2"	\$56.40	\$62.35	\$1.13
2"	\$90.23	\$99.76	\$1.81
3"	\$180.46	\$199.52	\$3.61
4"	\$281.97	\$311.75	\$5.64
6"	\$563.95	\$623.50	\$11.29
Charge per 1,000 gallons - Residential and General Service	\$5.09	\$5.63	\$0.10
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$26.55	\$29.36	
5,000 Gallons	\$36.73	\$40.62	
10,000 Gallons	\$62.18	\$68.77	

ALTURAS UTILITIES, L.L.C.			SCHEDULE NO. 5	
TEST YEAR ENDED 12/31/2014			DOCKET NO. 140219-WU	
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES				
ACCT NO.	DEPR. RATE PER RULE 25-30.140	DESCRIPTION	UPIS 12/31/2014 (DEBIT)	ACCUM. DEPR. 12/14/2014 (CREDIT)*
303	0.00%	LAND AND LAND RIGHTS (NON-DEPRECIABLE)	\$500	\$0
304	3.70%	STRUCTURES AND IMPROVEMENTS	519	67
307	3.70%	WELLS AND SPRINGS	6,987	6,987
309	3.13%	SUPPLY MAINS	237	33
311	5.88%	PUMPING EQUIPMENT	9,108	3,975
320	5.88%	WATER TREATMENT EQUIPMENT	220	220
330	3.03%	DISTRIBUTION RESERVOIRS AND STANDPIPES	22,822	7,294
331	2.63%	TRANSMISSION AND DISTRIBUTION MAINS	18,787	18,647
334	5.88%	METERS AND METER INSTALLATIONS	<u>6,247</u>	<u>424</u>
		TOTAL INCLUDING LAND	<u>\$65,427</u>	<u>\$37,647</u>
			CIAC AMORT. 12/31/2014 (DEBIT)	CIAC 12/31/2014 (CREDIT)
			<u>\$18,637</u>	<u>\$18,637</u>

*The accumulated depreciation balance excludes our recommended averaging adjustment that is only used for rate-setting purposes and shall not be reflected on the Utility's books.

ATTACHMENT C

**IN THE CIRCUIT COURT OF THE TENTH JUDICIAL CIRCUIT
IN AND FOR POLK COUNTY, FLORIDA**

STATE OF FLORIDA,)	
DEPARTMENT OF HEALTH, POLK)	
COUNTY HEALTH DEPARTMENT)	
)	CASE NO.
Plaintiff,)	
v.)	
)	
ALTURAS UTILITIES, LLC)	
)	
Defendant.)	
	/	

**PETITION FOR ENFORCEMENT OF AGENCY ACTION AND
VERIFIED COMPLAINT FOR INJUNCTIVE RELIEF**

COMES NOW the State of Florida, Department of Health in Polk County (hereafter, the “Health Department” or “Department”), by and through the undersigned Counsel, and moves this Honorable Court for an Order enforcing the terms of a Consent Order entered into between the Parties, and in support thereof would show:

1. This is an action for enforcement of agency action and verified complaint for injunctive and other relief brought pursuant to Sections 120.69, 403.121, 403.860 and Chapter 381, Florida Statutes (FS), and Rule 1.610, Florida Rules of Civil Procedure.
2. This Circuit Court has jurisdiction over this action pursuant to Section 26.012(3), Florida Statutes.
3. The Health Department, pursuant to Interagency Agreement with the Department of Environmental Protection (DEP), is the administrative agency of the State of Florida charged with the duty to administer and enforce the provisions of the Florida Safe Drinking Water Act, Sections 403.850, et seq., FS, and the rules promulgated

thereunder, Florida Administrative Code (FAC) Chapter 62, within Polk County, Florida.

4. The Health Department, an agency of the State of Florida as defined by Section 120.52, FS, is charged with the duty to protect the health, safety and welfare of the citizens of this community.
5. Section 403.860, FS empowers the Health Department to file for injunctive relief restraining anyone from violating or continuing to violate any order, rule or regulation issued pursuant to Chapter 403, FS and Chapter 62, FAC.
6. Defendant Alturas Utilities, LLC (“Alturas”), owns and operates a Community Public Water System (PWS), as defined by Section 403.852(3), FS, PWS ID No. 6530057, located in Alturas, Polk County, Florida.
7. Defendant is a “person” within the meaning of Section 403.852(5), Florida Statutes.
8. Defendant supplies water to approximately 126 service connections (“Customers”) consisting mainly of residential homes.
9. On or about September 28, 2017, Defendant admitted to multiple violations of Chapter 62, FAC, and entered into a Consent Order with the Health Department for the maintenance, upgrade and repair of the PWS, to include replacement of the water holding and treatment tank, and with the initial steps to be completed by November 31, 2017. See Consent Order attached and incorporated herein as Attachment “A”.
10. With regards to the Consent Order, alternatives may be available to achieve compliance with DEP Rules. However, the findings of violations are still valid, and Defendant has been advised it is still responsible for correcting the violations and

otherwise bringing the current treatment tank and drinking water system into compliance with FAC requirements.

11. Along those lines, Defendant has failed to adhere to the stipulated schedule for PWS system repairs within the CO, to complete any of the tasks required pursuant to the CO, or to otherwise correct any of the violations found within the Consent Order.
12. Furthermore, none of the tasks recommended and required by a 2011 PE Tank Inspection Report referenced in the CO has been completed. Defendant continues to willfully operate its Community Water System in violation of these recommendations and of Florida law.
13. Inasmuch as the PWS continues to operate in disrepair and neglect, the Defendant continues to jeopardize the public health of its Customers by failing to correct its facility in accordance with the Consent Order and maintain it according to DEP Rules and standards.
14. The Defendant, by and through its management and owners, has demonstrated or indicated over time, that it lacks the necessary management, operational and technical skills and abilities, along with the necessary financial viability, to successfully provide, for now and the reasonably foreseeable future, a secure and viable water service in a safe, reliable, and affordable manner.
15. The Defendant's willful acts, negligence, or mismanagement as described in the above paragraphs will cause or increase the likelihood of harm to the health and safety of the community by failing to assure that its Customers and other consumers are supplied water in conformance with the Primary and Secondary Drinking Water Standards as required under Florida law.

16. The Department has expended costs and fees in initiating this action.

WHEREFORE the Health Department is entitled to injunctive and other relief against the Defendant and requests this honorable court:

- (1) Enter a Temporary and Permanent Injunction and Order compelling the Defendant to comply with the Health Department's Consent Order directing that the following actions be taken by the Defendant:
 - (A) Order full compliance with all terms of the Consent Order within thirty (30) days of the entry of the Order enforcing agency action and awarding injunctive relief.
 - (B) In the alternative, Order that Defendant secure a current Professional Engineering Inspection Report of the Tank, while completing all recommended and necessary PWS repairs and correcting all violations, in compliance with Florida law within twenty (20) days of the entry of the Order enforcing agency action and awarding injunctive relief.
 - (C) In the alternative, mandate the Defendant to abandon Sunrise Utility in accordance with the requirements of Section 367.165, Florida Statutes and surrender its Certificate of Authorization to the Florida Public Service Commission so that a receiver may be appointed to operate the water service.
- (2) Grant the Health Department reasonable costs and attorney's fees pursuant to Section 120.69(7) Florida Statutes.
- (3) Enter an Order imposing an additional fine in the amount of \$1,000.00 pursuant to Section 120.69(2), Florida Statutes.
- (4) To award such other relief that is deemed necessary and proper.

Respectfully submitted this 23rd day of March, 2018.



ROLAND REIS, PBN 562653
Chief Legal Counsel
Florida Department of Health
1290 Golfview Avenue, 4th Floor
Bartow, Florida 33830
Tel. (863) 578-2105
Roland.Reis@flhealth.gov

VERIFICATION

STATE OF FLORIDA COUNTY OF POLK

Before me, the undersigned authority, Gerald Robinson personally appeared, who is personally known to me, and after being first duly sworn deposes and says:

1. My name is Gerald Robinson and I work for the Department of Health, Polk County Health Department (PCHD) as the staff Professional Engineer (PE). I have been in this position since July, 2015.
2. I am licensed as a Professional Engineer in the State of Florida and designated as a Model Law Engineer, by the National Council of Examiners for Engineering and Surveying. Model Law Engineers have earned a bachelor's degree in engineering from an Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology, Inc., - accredited program, gained four years of acceptable engineering work experience, passed the Fundamentals of Engineering and Professional Engineering exams, and maintained a clean disciplinary record.
3. Part of my job duties include application and interpretation of the Florida Safe Drinking Water Act, Sections 403.850 et seq, FS, and the rules promulgated thereunder, including Title 62, Florida Administrative Code.
4. The Department of Health, Polk County Health Department, has been authorized by the Department of Environmental Protection ("DEP") to review, evaluate, and take enforcement against public water systems in Polk County pursuant to the Florida Safe Drinking Water Act. The Department of Health is also charged with the duty to investigate and abate any condition deemed to constitute a sanitary nuisance.
5. The facts set forth in this Petition for Enforcement and Verified Complaint for Injunctive Relief ("Petition") are based upon my personal knowledge, information relayed to me by fellow employees with the PCHD, customers serviced by Alturas Utilities, LLC ("Alturas") and information obtained from PCHD business records and are true and correct.
6. As indicated in the Petition, after numerous and ongoing violations of the provisions of the Florida Administrative Code relating to the operation of a community water system, the PCHD entered into a Consent Order (CO) with Alturas. Per the CO, Alturas was originally required to obtain a new or replacement tanks for its PWS, with Alturas to submit its initial Facilities Plan and Application by November 30, 2017.

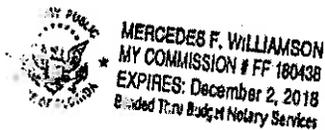
7. In January 2018, the Department has taken into consideration the possibility that the tank replacement might no longer be necessary, pending an overdue PE tank inspection report. However, other violations continue to exist and maintenance actions would still be necessary. This would include cleaning and coating the interior of the tank; repainting the exterior of the tank; repairing or replacing the saddles supporting the tank; and securing a new PE tank inspection report.
8. During the time period which Alturas has had to comply with the CO, and to the best of my knowledge and belief, Alturas has failed to make any appropriate and necessary efforts to come into compliance with the CO or with DEP regulations.
9. Alturas is jeopardizing the public health of its Customers by failing to maintain its facility in accordance with Florida law. Alturas's failure to correct the violations as outlined in the CO will cause or increase the likelihood of harm to the health and safety of the community by failing to assure that its Customers and other consumers are supplied water in conformance with the Primary and Secondary Drinking Water Standards.

Further Affiant sayeth not.


GERALD ROBINSON

SWORN and SUBSCRIBED to before me on this 3rd day of March 2018, by GERALD ROBINSON, who is personally known to me, in Polk County, Florida.


NOTARY PUBLIC
(Notary stamp)



**BEFORE THE FLORIDA DEPARTMENT OF
ENVIRONMENTAL PROTECTION**

**FLORIDA DEPARTMENT OF HEALTH IN
POLK COUNTY**

**IN THE OFFICE OF THE
SOUTHWEST DISTRICT**

Complainant,

OGC CASE NO. 17-853PW0057

vs.

ALTURAS UTILITIES, LLC

Respondent.

CONSENT ORDER

This Consent Order is made and entered into between the Florida Department of Health in Polk County ("Department" or "Polk CHD"), and Alturas Utilities, LLC ("Respondent") to reach settlement of certain matters at issue between the Department and Respondent.

The Department finds and Respondent admits the following:

1. The Department, pursuant to Interagency Agreement with the Department of Environmental Protection (DEP), is the administrative agency of the State of Florida charged with the duty to administer and enforce the provisions of the Florida Safe Drinking Water Act, Sections 403.850, et seq., Florida Statutes, and the rules promulgated thereunder, Florida Administrative Code (FAC) Title 62, within Polk County, Florida. The Department has jurisdiction over the matters addressed in this Consent Order.
2. Respondent Alturas Utilities, LLC (Alturas) is a person within the meaning of Section 403.852(5), Florida Statutes.
3. Respondent Alturas owns and operates a Community Public Water System (PWS), PWS ID No. 6530057, located in Alturas, Polk County, Florida. Alturas PWS is serviced by a single 3,000-gallon holding and treatment tank ("Tank"). The Utility was first placed into operation in 1952.
4. On December 1, 2011, Respondent Alturas conducted a 5-year engineering tank inspection as required by Rule 62-555, FAC. The engineering report ("Report") was issued January 11, 2102.

ATTACHMENT A

5. Among its recommendations, the Report indicated that Alturas (1) as required maintenance, needed to paint the exterior, and clean and coat the inside of the Tank prior to its next required or scheduled 5-year inspection (i.e., by December 2016); and (2) needed to repair or replace the cradles within 2½ years (i.e., by June 2014).
6. In accordance with Chapter 62-555.350(2), FAC, suppliers of water shall keep all necessary public water components in operation and shall maintain such components in good operating condition so as the components function as intended.
7. Respondent Alturas has failed to undertake maintenance of the Tank, within the 5-year interim report period, as required in the 2011 Report, by painting the exterior of the Tank, and by cleaning and coating the interior, in violation of Chapter 62-555.350(2), FAC.
8. Respondent Alturas has failed to repair or replace the cradles within the 2 ½ years as required by the 2011 Report, and in violation of Chapter 62-555.350(2), FAC.
9. Respondent Alturas was last due for an inspection of its Tank in December of 2016. Alturas has failed to conduct its 5-year tank inspection in violation of Chapter 62-555.350(2), FAC.
10. The Department previously provided Alturas with Warning Notices regarding the above-noted requirements and violations on November 14, 2016, and on January 18, 2017.

The Department and Respondent pursuant to negotiations have reached resolution of the matter, pursuant to Rule 62-103.110(3), FAC. Respondent and the Department mutually agree and it is

ORDERED:

11. Respondent Alturas shall replace the Tank according to the following schedule:

DEADLINE DATE	TASK
November 30, 2017	Submit Facilities Plan and Application to Polk CHD and other agencies.
December 31, 2017	Full permit for Hydro Pneumatic Tank Replacement and other improvements.
January 30, 2018	Complete Public Hearing to Adopt Facilities and Business Plans.
February 28, 2018	Submit Bidable Plans and Specs to Polk CHD.
March 30, 2018	Complete Financial Assistance

June 30, 2018	Application, DWSRF Public Meeting
September 30, 2018	Advertise for Bids
November 31, 2018	Start Project Construction.
December 31, 2018	Complete Project Construction.
	Complete operational performance of the project and close out the project.

12. The fines and administrative costs associated with these current violations shall be based on adherence to the scheduled deadlines stipulated above, according to the following schedule:

Date	Fine	Admin Costs
<30-Day Delay	\$500.00	\$200.00
30-Day Delay	\$1,000.00	\$250.00
60-Day Delay	\$2,250.00	\$275.00
>90-Day Delay	\$5,000.00	\$300.00

13. Thirty days (30) after Respondent has complied with the conditions of this Consent Order, Alturas shall pay the Department stipulated fines and administrative costs, if any, as outlined in the above table. These amounts include civil penalties for alleged violations of Section 403.859, Florida Statutes, and of the DEP rules for costs and expenses incurred by the Department during the investigation of this matter and the preparation and tracking of this Consent Order. Payment shall be made by check or money order. The instrument shall be made payable to the Department of Health in Polk County and shall include thereon the OGC number assigned to this Consent Order. The payment shall be sent to the Department of Health in Polk County, 2090 East Clower Street, Bartow, Florida 33830.
14. Entry of this Consent Order does not relieve Respondent Alturas of the need to comply with the applicable federal, state or local laws, regulations or ordinances. Respondent Alturas recognizes the deteriorated condition of the Tank and saddle support, and that Respondent Alturas is otherwise responsible for any emergency responsive action that may be necessary in response to failure of the PWS, pending compliance completion of this Consent Order.
15. The terms and conditions set forth in this Consent Order may be enforced in a court of competent jurisdiction pursuant to Section 120.69 and 403.121, Florida Statutes. Failure to comply with the terms of this Consent Order shall constitute a violation of Section 403.859, Florida Statutes.
16. Respondent Alturas is fully aware that a violation of the terms of this Consent Order may subject Respondent to judicial imposition of damages, civil penalties of up to \$5,000.00 per offense, and criminal penalties.

17. Respondent Alturas shall allow all authorized representatives of the Department access to the property and plant at reasonable times for the purpose of determining compliance with this Consent Order and DEP Rules.
18. All plans, applications, penalties, costs and expenses, and information required by this Consent Order to be submitted to the Department should be sent to the Florida Department of Health in Polk County, 2090 East Clower Street, Bartow, Florida.
19. The Department hereby expressly reserves the right to initiate appropriate legal action to prevent or prohibit any violations of applicable statutes, or the rules promulgated thereunder that are not specifically addressed by the terms of this Consent Order.
20. The Department, for and in consideration of the complete and timely performance by Respondent of the obligations agreed to in this Consent Order, hereby waives its right to seek judicial imposition of damages or civil penalties for alleged violations outlined in this Consent Order. Respondent acknowledges but waives the right to an administrative hearing pursuant to Section 120.57 Florida Statutes, on the terms of this Consent Order. Respondent acknowledges the right to appeal the terms of this Consent Order pursuant to Section 120.68, Florida Statutes, but waives that right upon signing this Consent Order.
21. The provisions of this Consent Order shall apply to and be binding upon the parties, their officers, their directors, agents, servants, employees, successors, and assigns and all persons, firms and corporations acting under, through or for them and upon those persons, firms and corporations in active concert or participation with them.
22. No modifications of the terms of this Consent Order shall be effective until reduced to writing and executed by both Respondent and the Department.
23. If all of the requirements of this Consent Order have not been fully satisfied, Respondent shall, at least 14 days prior to a sale or conveyance of the property, (1) notify the Department of such sale or conveyance, and (2) provide a copy of this Consent Order with all attachments to the new owner.
24. This Consent Order is a settlement of the Department's civil and administrative authority arising from Chapters 403 and 376, Florida Statutes, to pursue the allegations addressed herein. This Consent Order does not address settlement of any criminal liabilities which may arise from Sections 403.161(3) through (5), 403.413(5), 403.727(3)(b), 376.302(3) and (4), or 376.3071(10), Florida Statutes, nor does it address settlement of any violation which may be prosecuted criminally or civilly under federal law.
25. This Consent Order is final agency action of the Department and DEP pursuant to Section 120.69, Florida Statutes, and Florida Administrative Code Rule 62-103.110 (3), and it is final and effective on the date filed with Clerk of the Department of

Environmental Protection, unless a Petition for Administrative Hearing is filed in accordance with Chapter 120, Florida Statutes. Upon the timely filing of a petition this Consent Order will not be effective until further order of the Department.

NOTICE OF RIGHTS

Persons who are not parties to this Consent Order but whose substantial interests are affected by this Consent Order have a right, pursuant to Section 120.57, Florida Statutes, to petition for an administrative hearing on it. The Petition must contain the information set forth below and must be filed (received) at the Department of Environmental Protection, Office of General Counsel, 2600 Blair Stone Road, Tallahassee, Florida, 32399-2400, within 21 days of receipt of this notice. A copy of the Petition must also be mailed at the time of filing to the District Office named above at the address indicated, and to the Polk County Health Department. Failure to file a petition within the 21 days constitutes a waiver of any right such person has to an administrative hearing pursuant to Section 120.57, Florida Statutes.

The petition shall contain the following information:

- A. The name, address, and telephone number of each petitioner; the Department's Consent Order identification number and the county in which the subject matter or activity is located;**
- B. A statement of how and when each petitioner received notice of the Consent Order.**
- C. A statement of how each petitioner's substantial interests are affected by the Consent Order;**
- D. A statement of the material facts disputed by petitioner, if any;**
- E. A statement of facts which petitioner contends warrant reversal or modification of the Consent Order;**
- F. A statement of the relief sought by petitioner, stating precisely the action petitioner wants the Department to take with respect to the Consent Order.**

If a petition is filed, the administrative hearing process is designed to formulate agency action. Accordingly, the final action of the Department of Environmental Protection may be different from the position taken by it in this Notice. Persons whose substantial interests will be affected by any decision of the Department with regard to the subject Consent Order have the right to petition to become a party to the proceeding. The petition must conform to the requirements specified above and be filed (received) within 21 days of receipt of this notice in the Office of General Counsel at the above address of the Department of Environmental Protection. Failure to petition within the allowed time frame constitutes a waiver of any right such person has to request a hearing under Section 120.57, Florida Statutes, and to participate as a party to this proceeding. Any subsequent intervention will only be at the approval of the presiding officer upon motion filed pursuant to Rule 60Q-2.010, Florida Administrative Code.

FOR RESPONDENT:

We, on behalf of Alturas Utilities, LLC, HEREBY ACCEPT AND CONSENT TO THE TERMS OF THE SETTLEMENT OFFER AND ORDER IDENTIFIED ABOVE.

<u>Stuart Sheldon</u>	<u>9-25-17</u>	<u>[Signature]</u>	<u>9/25/17</u>
Stuart Sheldon, President Alturas Utilities, LLC	Date	Leslie Szabo, Owner	Date

DONE AND ORDERED this 28 day of September, 2017, in Bartow,
Polk County, Florida

**FLORIDA DEPARTMENT OF HEALTH
POLK COUNTY HEALTH DEPARTMENT**

[Signature]
Cynthia Goldstein, MPH, REHS
Environmental Health Administrator
2090 East Clower Street
Bartow, Florida 33830

[Signature]
Joy L. Jackson, MD, Director
Florida Department of Health in Polk County
1290 Golfview Avenue 4th Floor
Bartow, Florida 33830

FILED AND ACKNOWLEDGED this 28 day of September, 2017.

[Signature]
Ron Stadelbacher
Environmental Supervisor III

Copy furnished to:

Roland Reiss, Chief Legal Counsel

ATTACHMENT D

Payment Plan Agreement

Utility: Alturas Utilities, L.L.C. (WU871)
RAF Year & Amount Due: 2013 - \$1374.07 as of November 12, 2014.
Date contacted by Utility: May 28, 2014 - By: Leslie Szabo,
Telephone No.: (416) 782-5418, E-mail Address: lszabo@rogers.com

Alturas Utilities, L.L.C. agrees to perform the following:

- Submit a monthly payment of \$85 to the Commission by the 30th of every month, beginning November 30, 2014, and continuing until the balance of any outstanding RAFs, penalties and interest is paid;
- By entering this Payment Plan, you are agreeing to pursue a Staff Assisted Rate Case. Staff will be contacting you to initiate the process. The terms of this monthly payment plan will be reviewed upon final order of a Staff Assisted Rate Case.

The Commission shall apply all payments made by Alturas Utilities, L.L.C. under this 2013 RAF Payment Plan in the following manner:

- To the principal balance of any unpaid year's RAFs, until the principal RAF balance is satisfied; and
- To the penalty and interest balance assessed, until the balances are satisfied.

Failure by Alturas Utilities, L.L.C. to submit two (2) consecutive \$85 installment payments timely, as outlined above, shall be considered a breach of this 2013 RAF Payment Plan Agreement, automatically accelerating the balance of any unpaid RAFs, penalties and interest, which will then become immediately due.

All payments shall be made payable to the "Florida Public Service Commission," include WU871 2013 RAF on the memo line, and be sent to "Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850, ATTENTION: Fiscal Services."

Payment is considered "timely" if properly addressed, mailed with sufficient postage and postmarked no later than the due date.

Payment is considered "Paid" on the date it is received and logged in by the Commission's Division of Administrative and Information Technology Services in Tallahassee, Florida, or on the date the payment is postmarked by the United States Postal Service.

Payment returned by a financial institution for insufficient funds, or any other reason, is a failure to submit timely payment. Pursuant to Section 215.34(2), a service fee of \$15.00 or five percent (5%) of the amount for the payment returned, whichever is greater, shall be assessed to any payment returned by a financial institution for insufficient funds, or for any other reason. Two (2) returned payments shall be considered a breach of this Payment Plan Agreement, automatically accelerating the balance of any unpaid RAFs, penalties and interest, which will then become immediately due.

Signed this 19 day of November, 2014.

BY: 
Leslie Szabo,
Alturas Utilities, L.L.C.
Post Office Box 2608
Eaton Park, FL 33840
(416) 782-5418
Email: lszabo@rogers.com

SU LPLUE - AQUARIAS UTILITIES
PO BOX 2608
EMORY PARK
FL. 33840

POSTAGE WILL BE PAID BY ADDRESSEE



FLORIDA PUBLIC SERVICE COMMISSION
2540 SHUWARD OAK BOULEVARD
TALLAHASSEE FL. 32399-0850

ATTN:
MRS TOMI EAMHART

32399085099



Dear Ms. Eamhart,

Please find enclosed my original signatures.

I wish you Happy Thanksgiving.

Yours truly,

Leslie Szabo

ATTACHMENT E

Alturas Utilities, LLC. RAF Payment History and Balance Due as of June 12, 2018

Industry	FEID Num	Code	Utility Name	Service	Service	RAF Period Covered	RAF Year	Due Date	RAF Rate	Total Paid	RAF Prnd	RAF Csw	Penalty Owed	Interest Owed	Total Owed	Revenue	Latest Status
W	20-0357498	WU871	Alturas Utilities, L.L.C.	WAT	WU	01/01/2017-12/31/2017	2017	4/2/2018	0.045	\$0.00	\$0.00	\$1,323.90	\$198.59	\$39.72	\$1,562.21	\$29,420.00	RAF Form Print & Mailed Out, No Reponse, Estimated Revenue based on 2016 AR.
W	20-0357498	WU871	Alturas Utilities, L.L.C.	WAT	WU	01/01/2016-12/31/2016	2016	3/31/2017	0.045	\$0.00	\$0.00	\$1,323.90	\$330.98	\$198.59	\$1,853.47	\$29,420.00	Interest & Penalty updated by nightly job; Revenue based on 2016 Annual Report.
W	20-0357498	WU871	Alturas Utilities, L.L.C.	WAT	WU	01/01/2015-12/31/2015	2015	3/31/2016	0.045	\$873.48	\$873.48	\$285.72	\$262.68	\$149.72	\$698.12	\$25,760.00	Interest & Penalty updated by nightly job, Defaulted on Payment Plan
										\$873.48	\$2,933.52	\$792.25	\$388.03	\$4,113.80			

ATTACHMENT F

Request No. 1249437W

Name FRODGE ,DAN MR.

Business Name

Consumer information

Name: DAN C FRODGE

Business Name:

Svc Address: 2565 OAK DR

County: Polk

Phone: (863)-537-5739

City/Zip: Bartow

/ 33830-

Account Number: 2565

Caller's Name: DAN C FRODGE

Mailing Address: 2565 OAK DR

City/Zip: BARTOW ,FL 33830-

Can Be Reached:

E-Tracking Number: 123433

**Florida Public Service
Commission - Consumer Request
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
850-413-6480**

Utility Information

Company Code: WU871

Company: ALTURAS UTILITIES, L.L.C.

Attn. Maria Mitral249437W

Response Needed From Company? Y

Date Due: 08/28/2017

Fax:

R

Interim Report Received: / /

Reply Received: 08/08/2017

Reply Received Timely/Late: T

Informal Conf.: N

PSC information

Assigned To: SHONNA MCCRAY

Entered By: DH

Date: 08/07/2017

Time: 08:32

Via: E-FORM

Prelim Type: IMPROPER BILLS

PO:

Disputed Amt: 0.00

Supmntl Rpt Req'd: / /

Certified Letter Sent: / /

Certified Letter Rec'd: / /

Closed by: SDM

Date: 09/15/2017

Closeout Type: GI-25

Apparent Rule Violation: N

Please review the "incorporated" Internet correspondence, located between the quotation marks on this form, in which the customer reports the following:

"-----Original Message-----

From: consumerComplaint@psc.state.fl.us [mailto:consumerComplaint@psc.state.fl.us]

Sent: Sunday, August 06, 2017 7:05 PM

To: Consumer Contact

Subject: E-Form Other Complaint TRACKING NUMBER: 123433

CUSTOMER INFORMATION

Name: Dan Frodge

Telephone: (863) 537-5739

Email: dcfrodge@aol.com

Request No. 1249437W

Name FRODGE ,DAN MR.

Business Name

Address: 2565 Oak Dr Bartow FL 33830

BUSINESS INFORMATION

Business Account Name: Dan C. Frodge

Account Number: 2565frodge

Address: 2565 Oak Dr Bartow FL 33830

Water County Selected: Polk

COMPLAINT INFORMATION

Complaint: Other Complaint against Alturas Utilities, L.L.C.

Details:

My granddaughter & her husband (Michael Doolin) moved into the fully renovated house last fall. This is a young couple with limited funds, therefore every effort as made to conserve water. The first month's bill in November, 2016 was \$326.03. They complained and it was adjusted to \$168.50 with almost no lawn watering; Dec-\$95.58; Jan-\$98.37;Feb-\$165.13;March-\$100.11; On March 16, I sent a Certified Letter to Alturas Utilities requesting, in writing, that a new meter be installed. Previously, the Doolins had hired a leak detection company in an effort to find a leak, if one existed. Hydro-Scout, the leak detection company, could not get accurate readings because of the poor condition of the meter. The same company came back several times but was unable to verify any leaks. A new meter was finally installed on March 25th. Even with daily watering of the lawn, because of the drought, the bill for April was \$111.88; May-\$76.52;June-\$86.36 and July-\$41.71. I seems rather obvious that the meter was defective and that a good faith effort was made to determine any leaks. However, the Alturas Utilities now wanted me to pay for the replacement water meter. It seems only reasonable that a utility company would, in the course of running such an enterprise, include capital expenditures such as new water meters in their budget. We paid for the cost (\$140.50) of the new/replacement meter because failure to do so would have resulted in lack of water. My purpose in writing the PSC is two-fold: . To request hat he amount of \$140.50 for the new/replacement meter be returned or credited to my account.2. That we be compensated for the leak-detection charges(\$150) and the difference between the current average bills and those previously paid. Please advise. Thank you.

Cordially, Dan C. Frodge, Owner "

Per Consumer Complaint Rule 25-22.032, please use the following procedures when responding to PSC complaints.

1. Complaint resolution should be provided to the customer via direct contact with the customer, either verbally or in writing, within 15 working days after the complaint has been sent to the company.

2. A response to the PSC is due by 5:00 p.m. Eastern time, of the 15th working day after the complaint has been sent to the company.

3. The response should include the following:

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- a) the cause of the problem
- b) actions taken to resolve the customer's complaint
- c) the company's proposed resolution to the complaint
- d) answers to any questions raised by staff in the complaint
- e) confirmation that the company has made direct contact with the customer

4. Send your written response to the PSC, and copies of all correspondence with the customer to the following e-mail, fax or physical addresses:

E-Mail - pscreply@psc.state.fl.us
Fax - 850-413-7168
Mail - 2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Case taken by Diane Hood

08/08/2017 - Company response received via Email. DScott.

8/9/17: REVIEWED COMPANY RESPONSE. Response states the following:
"The amount of check payment for \$140.50 for the new/replacement meter per Customer Request , is on hold. Utility did received by mail this payment, and not deposited to the Bank.

The Meter was working properly and accurate but the Customer insisted on replacing the meter. After the meter change the gallon usages are still unusually high.

Our filed technician Mr. Scott went to the Service Address several times, and performed meter test as required. He went with the owner around on the property looking for a leak, meet the company who came to fix the leak but seems that are several leaks. He changed the Meter regardless that his evidences were clearly indicated otherwise and Mr. Frodge isn't appreciating his time, work or effort.

I spent quite some time helping the Customer. Mr. Frodge doesn't even considerate my time or effort The Utility give a Courtesy Credit for \$136.03 and now Mr. Frodge wants' to be compensated? For what?

To be more clear,

I WILL PRESENT THE FACTS WITH PROVIDING CORRESPONDENCES BETWEEN THE UTILITY AND THE CUSTOMER-

Please note

A METER TEST WAS PROVIDED TO THE CUSTOMER SEVERAL TIMES BEFORE THE ACTUAL METER CHANGE HAPPENED PER MR. FRODGE REQUEST

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Let me begin with the Service Address History.

Service Address 2565 Oak Drive
Under the name of Sonny Register between 2008-2016

Till today has an outstanding balance \$79.12 after we applied the Security Deposit for Moths of non payment.

This Account was closed one year ago and the Meter flow numbers, 70031 were registered at the last meter reading on 7/25/2016 on Meter SN 1170722

The next Account was opened later 8/1/2016 under the name of Dan Frodge with Meter SN 1170722 and the beginning of flow number was 700310

CUSTOMER HISTORY:

11/26/2016 the Utility Bill shows 50430 gallon usage and the Customer was Billed for \$326.03 They never contacted the Utility to seek for a solution just went direct and made a complaint with the PSC for Improper Billing. The Case was already open 1230140W under the name of Michel Doolin for Improper Bill and did not made any difference that we provided resolution from company's part and sorted out that the Customer had a leak.

Here is some of my previous findings presented to the PSC (the Customer has also a copy of this correspondence):

Just to show our good intentions and the time and the we put into this Case.

ALTURAS UTILITY WROTE:

" I informed our field technician that the complaint is about high usage and he went in person twice to 2565 oak drive.

Giving him the end of the meter reading numbers last Month

11/2/2016 : 705480

Also the next reading numbers 11/26/2016: 755910-

therefore the software calculated 50430 gallon usage.

Our field technician, William Scott have meet with the home owner of 2565 Oak Drive; whom name is Dan Frodge. (The account is also on his name)

He showed him that the meter is working properly.

Water usage with "no one home" with the water running? The owner said let's try something else.

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The field technician proceed to turn water meter off and at owners request.

When he went back on the given day, December, 14, 2016 at 9:30 AM turned the meter back.
The cause of the problem seems that there is a leak inside the household and they need to fix it.

Therefor the running water usages are correct and the Customer is responsible for their water bill."

CUSTOMER WROTE TO UTILITY(TO ME):

"Dear sirs:

We appreciate the effort made to inspect the meter and ensure its accuracy.

We originally emailed "Debbie" which is who we had been told to contact when we transferred the utilities to our name. She directed us to file our complaint with the PSC.

We were out of town when the meter reader came to 2565 Oak Dr (we were not notified that he would be there) but the homeowner, Dan Frodge, happened to come by.

The water was turned back on late Monday night when we returned home. We barely opened the valve so that the pressure would not be high but so that we could bathe our children.

We have a leak specialist scheduled to find the leak tomorrow and will have the leak fixed asap. There are no visible leaks so we need a specialist to find it.

Again, we appreciate your efforts to investigate this. Because the bill skyrocketed and there were no visible leaks, we assumed that it was faulty equipment.

Is there some way that you could knock some off of that bill? With calling out the specialist plus needing to have the plumber come out twice for repairs, we are hundreds of dollars in the hole. And because we are halfway through his billing cycle, I am sure that the next bill will be high as well. This is just not something that we can afford. It is not something that we could plan for or prevent.

Thank you for your response, "

Of course after seeing that the Customer had no bad intentions, the utility cut the Bill in half and gave a 50% of Courtesy Credit for \$163.03

We thought that the leek was fixed but the next Meter reading show high usage for 12330 gallon usage and the Bill was \$90.08

I was contacted by the Customer Sarah Doolin for a copy of their Bill in January 17 2017 as it was misplaced their Bill, also asking me if the utility could cut some of this Bill too. I send her the copy of the Bill and told her that this time they need to take care of that leak because the water is gone.

Next Month Bill 2/26/2017 is high gallon usage -24450 for \$165.13

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3/29/2017 Bill 13950 gallon for \$100.11

See Attachment for Customer History-

In March Utility got a not so nice, if I should say even a threatening letter from Mr. Frodge that we MUST CHANGE THE METER OR ELSE. (regardless that we prove to him that the meter is accurate and working properly)

Utility decided to change the meter and show him our good will.

After the Meter change in April the gallon usages did not change significantly as they had more than one leak to fix accordingly to our field technician who states that along with the owner they detected that there is a need for fix.

4/30/2017: 15850 gallon usage for \$111.88

5/30/2017: 10140 gallon usage for \$76.52

7/30/2017: 11730 gallon usage for \$78.51

-----Seems that some of the leaks was fixed but they must have more and that isn't the utility's responsibility.

This has also nothing to do with the couple who rent the place. It is the owner's responsibility.

And since the meter change was unnecessary the Customer was charged for the meter per his request \$135.00 but this belongs to the person who requested and insisted for a new meter.

This is less amount than the credit given from the UTILITY previously \$163.03

This is the truth and nothing but the truth.

Now, here I copied the Owner's version to compare what he is stating or presenting and feel free to compare the facts with hearsay.

I outlined the falsely presented statements since I provided you with the contrary evidences. My granddaughter & her husband (Michael Doolin) moved into the fully renovated house last fall. This is a young couple with limited funds, therefore every effort as made to conserve water. The first month's bill in November, 2016 was \$326.03. They complained and it was adjusted to \$168.50 with almost no lawn watering; Dec-\$95.58; Jan-\$\$98.37;Feb-\$165.13;March-\$100.11; On March 16, I sent a Certified Letter to Alturas Utilities requesting, in writing, that a new meter be installed. Previously, the Doolins had hired a leak detection company in an effort to find a leak, if one existed. Hydro-Scout, the leak detection company, could not get

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Cordially, Dan C. Frodge, Owner "

PLEASE REVIEW THE EVIDENCES PROVIDED BY UTILITY AND ADVISE FOR A RESOLUTION.

CONSIDERING THAT MR FRODGE CAN TAKE A CREDIT FROM THE UTILITY FOR \$136.03 THEN LATER DEMAND FOR A NEW METER FOR FREE \$135.00 AND IN TOP OF THAT, WANTS TO BE COMPENSATED FOR HIS LEAK DETECTION CHARGES \$150.00= TOTAL OF \$421.03 FROM THE UTILITY

Yours truly,

M.Mitra"

Shonna McCray

9/15/17: This inquiry closed. Shonna McCray

10/12/17: Mr. Frodge's granddaughter, Sarah transferred by Ellen. Sarah stated they never received a response from the company. Explained to Sarah that the response was received on 8/8/17 and I could mail a copy of the response to to Mr. Frodge. She requested the response be mailed to Mr. Frodge. Shonna McCray

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