

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: May 14, 2015
TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk
FROM: Cecilia C. Galloway, Public Utility Analyst, Division of Accounting & Finance *CD Bof*
RE: Docket No. 140217-WU - Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.

Please file the attached letter in the correspondence side of the above-referenced docket file.

Thank you.

RECEIVED-FPSC
15 MAY 14 AM 11:22
COMMISSION
CLERK

5-9-15

TO : Bart Fletcher, Bureau Chief, Bureau of Surveillance & Rate Filings

Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL. 32399-0850

RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
15 MAY 14 AM 9:22
DEPARTMENT OF
ACCOUNTING & FINANCE

FROM:  John/Sue Kroll

13707 CR 109-B-2
Lady Lake, FL. 32159

RE : Application for staff assisted rate case in Sumter County from Cedar Acres Inc.

Docket # 140217-WU

We have reviewed Cedar Acres application and staff report dated 4-14-15 provided to you by Analysts Smith-Galloway-Thompson & Engineer Mtenga. Along with other concerned residents, we share the following concerns regarding the application.

APPLICATION

Sect. G (B) - Reduce S. Smith salary to reflect actual time spent towards managing the utility.

JSR Inc. & Cedar Acres occupy the same office. Cedar Acres occupies 25% Her total salary is \$50,350 x .25 = 12,588 This is a more accurate assessment of the Cedar Acres portion of duties.

Sect. G (O-Q-R) - These expenses have increased respectively 437%-256%-361%.

Please have Cedar Acres provide documented evidence supporting these increases.

Sect. H - Outstanding Debt - JSR Inc. is listed as Cedar Acres creditor. As they appear to be

intertwined- is there a conflict of interest in fairness to the residents of Oakland Hills ?

What are the roles of Engineer K. Edun (# C7459) - Universal & Artesian Waters pertaining to effective management of our water system ?

Florida Dept. of Environmental Protection Consent Order OGC-File # 11-0615-60-PW signed by Cedar Acres 6-29-11 indicates penalties totaling over \$23,000.00 may be due along with consideration for separate stipulated penalties per page 4 Section #9 of the order. Have all these issues been paid/resolved or is Cedar Acres still responsible ?

To my understanding, a complaint was filed about 5 years ago requesting an update of the original water meters (over 20 yrs old) as residents claimed the meters were inaccurate. Results of an informal resolution indicated an increase in water rates would only be considered after all meters were replaced and an accuracy system implemented. To date this has not been accomplished.

Currently there are no fire hydrants in Oakland Hills....Are any planned ?

COMMISSION REPORT (4-14-15)

Page 3 - Net Loss should be around \$17,000 after revising manager's actual Utility time spent.

Establish a rate base for Cedar Acres.

Page 4 - 2012 deficiencies per DEP indicate #2 well & pedestal cracked (Could this explain the high amount of unaccounted water (over 14%)) - No cross connection control panel - Inspection documentation unavailable - No accuracy checks for water meters.

Numerous emails & correspondence between concerned residents, the HOA, others and the DEP (Ed Watson)reflect the degree of difficulty incurred putting the #2 well online resulting in recommended penalties.

Please withhold a rate increase until all these deficiencies are corrected.

Page 6 - Has Cedar Acres provided reasons/solutions resolving the high unaccounted water ?

Page 10 - Return of Equity - The recommended ROE - 8.74% be applied towards reducing the deficit of the utility and not used as an investment profit for Cedar Acres. Taking a profit and increasing rates 300 -635 % does not seem very equitable to the residents.

Page 12- Operating Expenses (Smith) Reduce operating expenses from \$118,480 to \$65,080

pursuant to issues in sections (601-603-615-630-635) as listed below :

(601) - Adjust manager's salary & taxes commensurate with duties & documentation.

(603) - Adjust this amount and have the Board of Directors annual meeting minutes

for the past 5 years provided to the commission & available to residents.

Has the commission received documentation from Mr. Simons specifically

describing monthly utility related duties justifying \$3850.00 ?

Page 13 - (630-635)- Meter reading & billing are not done monthly. Billing is bi-monthly and meter reading is done every 4 months. Meters are not calibrated for accuracy according to the readers. Payment should be commensurate with services provided.

Is there a security screening program in place wherein the meter readers and other personnel display company ID badges for them & company vehicles ? Is there a screening program in place identifying company employees with a past criminal history ie - felony convictions- sex offenders- history of violence ? Is there regular substance abuse testing for those entering our community ?

What is the status of the general liability insurance policy.

(665) - Reduce these amount by \$1345.00. The notice of customer meeting & rate increase were mailed with the regular billing incurring no additional postage nor envelopes. The rate increase filing fee should not be considered an operational expense.

(675)- Reduce this amount by 50% until supporting documentation is received.

Page 14 (TOTI)- Are the payroll taxes for Cedar Acres only or are they combined with JSR ?

Page 15 Issue 7 (Smith/Galloway) - Rate Increases

Table 7-1 Increase is 260.38 %

Page 32 - Increase is 298% - 3000 gallons

Increase is 397% - 5000 gallons

Increase is 635% - 10,000 gallons

Which figures are accurate ?

This is 3 to 4 times the amount the Villagers are paying for the same water with less services.

Page 16- If the average water use per the report is 5517 gallons, then the average increase would be around 400% not 260.38%. Please clarify.

How did the commission arrive at an anticipated consumption reduction to 4325 gallons per month(-23.24%). The average senior couple in surrounding communities consumes around 6000 gal per month .

Pages 18-20-24- The commission recommends Cedar Acres file documents to reduce the rate after 4 yrs-ensure proper escrow account-etc Is Cedar Acres legally bound to follow the recommendations ?

Page 19- Can the residents review the monthly reports to the commission regarding status of security- letter of credit-independent escrow etc. ?

Page 20- In the event of any bankruptcy/ default can it be stipulated the monies in escrow be returned directly to the customers immediately ?

Page 21- Late Payment Charge- Please ensure the customer receives the bill at least 2 weeks prior to due date.

Page 22- The \$64.00 customer deposit is for new connections only. Exchange of the old meters for the new ones should not incur a deposit.

Pages 29-30-31-32 - Re-adjust to more accurately reflect expense/taxes etc.

GENERAL

What is the maximum percent at which the rate may be increased ?

How often may the rate be increased ?

May the residents regularly review the maintenance records & testing from both wells ?

Can the meter fee be eliminated ?

In closing, we are requesting a full commission review of the aforementioned issues. We are requesting the commission postpone any consideration for a rate increase until all issues have been resolved in writing and this documentation be made available to all residents in a timely manner.

We are not opposed to a reasonable rate increase. However, a 300% to 635% increase does not reflect a cohesive teamwork approach towards resolving our water issues.

Thank you for your consideration.....Concerned folks at Oakland Hills.....