

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-

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**DATE:** June 10, 2015  
**TO:** Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk  
**FROM:** Kelley F. Corbari, Senior Attorney, Office of the General Counsel *KFC*  
**RE:** **Docket No. 140219-WU** – Application for staff-assisted rate case in Polk County by Alturas Utilities, LLC.

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

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

KFC

**Kelley Corbari**

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**From:** Kelley Corbari  
**Sent:** Tuesday, June 09, 2015 4:50 PM  
**To:** l.szabo@rogers.com  
**Subject:** 140219-WU Alturas - Staff's Third Data Requests  
**Attachments:** 140219 Staff'sThirdDataRequest. KFC.docx

Good afternoon Mr. Szabo,

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

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

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

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

Thanks so much,  
Kelley

*Kelley F. Corbari,*

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

June 9, 2015

Mr. Leslie Szabo  
ALTURAS UTILITIES, L.L.C.  
P. O. Box 2608  
Eaton Park, FL 33840-2608  
Email: [l.szabo@rogers.com](mailto:l.szabo@rogers.com)

### STAFF'S THIRD DATA REQUEST

RE: Docket No. 140219-WU – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

Dear Mr. Szabo:

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

Staff has completed the preliminary review of Alturas Utilities, LLC's staff-assisted rate case (SARC) application, which included performing a site inspection of the Utility and hosting a customer meeting in Bartow, Florida on May 19, 2015. In order to fully complete its analysis of Alturas' SARC application and make an appropriate recommendation to the Commission, staff requires additional information and requests Alturas respond to the following questions by **June 24, 2015**. Please provide as much detail as possible in your responses to staff's questions.

### Utility Operation & Maintenance

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

1. **Polk County Business License Renewal.** Polk County requires water utilities to obtain a business license and pay an annual renewal fee. The Utility's test year did not include payment of the business license renewal fee, however, staff included a preliminary adjustment of \$58 for the renewal fee pending additional information from Alturas. Please provide documentation showing that Alturas:
  - a. Obtained or renewed its business license with Polk County; or
  - b. Was been granted an exemption from the licensing requirement by Polk County.
  
2. **Officer's Salaries and Wages.** The Utility's test year did not include any officer's salaries and wages expense for the primary officer/owner responsible for Administration. Please provide:
  - a. A description of the Administration Officer's current duties related to the administration of Alturas;
  - b. Specific examples of work performed and the number of hours (either per day, week, or month as applicable) spent on each activity; and
  - c. The percentage of the Administration Officer's total hours spent performing work related to Alturas versus work performed for Alturas' sister utility, Sunrise Utilities, LLC (Sunrise).
  
3. **Utility Requested Pro Forma Plant and Expense Items.** Attachment A contains the pro forma projects that were proposed by Alturas during the Commission's audit or in response to staff's second data request. Staff notes that there are few inconsistencies between the two lists of pro forma projects. Therefore, staff requests that Alturas provide additional information to clarify which projects Alturas plans to begin and complete in the near future. Section 367.081(2)(a)(2), Florida Statutes, allows the Commission to consider in a rate proceeding any utility facilities that will be constructed in a reasonable time, not to exceed 24 months after the end of the historic test year used in the rate case. Based upon the test year ended December 31, 2014, any pro forma items considered in this case must be completed by December 31, 2016. Please provide the following information regarding the Utility's requested pro forma projects:
  - a. Please provide the remaining information requested on the chart shown in Attachment A and state:
    - (1) If any of the projects or cost estimates provided in the chart are no longer applicable, please indicate which projects and/or estimates should be removed from consideration in this case;
    - (2) Verify which projects Alturas plans to complete prior to December 31, 2016; and
    - (3) If any of the projects have already been completed, please provide the date the projects were completed, the invoices for the completed work, and proof of payment.
  
  - b. It is Commission practice for staff to review multiple bids for any pro forma projects requested by a utility in order to determine if the proposed costs are reasonable and should be included in the Utility's rates charged to its customers. The information previously provided by Alturas does not include sufficient cost justification for any of the requested projects. Please provide a minimum of three (3) detailed bids, quotes, or cost estimates for each project shown on the chart below. If it is not possible to obtain additional bids, please explain why Alturas is unable to obtain additional bids.

- c. The Utility's response to staff's second data request included a proposal from Dunham Well Drilling, Inc. (Dunham), dated March 11, 2015, that provided a combined estimated cost of \$35,000 for several repairs. A revised bid dated May 28, 2015, provided a breakdown of the \$35,000 estimate that included \$18,500 to paint the tank and replace the tank saddles, \$11,500 to replace the electric panel and repair service, and \$5,000 to repair and replace valves and piping. The combined estimates are not sufficient for staff to determine the reasonableness of the proposed cost. Please request that Dunham provide as much detail as possible. For example, the work to replace the existing piping and valves should include details such as:
- the location of the pipe to be replaced;
  - the number of feet of pipe to be replaced;
  - the type and size of the pipe;
  - the price of the pipe;
  - the labor costs to replace the pipe;
  - the number of valves to be replaced;
  - the type of valves being installed;
  - the cost of the valves; and
  - the labor costs to replace the valves.
- d. Alturas has requested consideration of a 5-Year Capital Improvement Plan to replace the Utility's piping, at a cost of \$5,000 per year for 5 years. Please provide additional information regarding the Utility's plan, such as:
- (1) A project schedule showing which sections of pipe will be replaced and when;
  - (2) How many feet of piping will be replaced each year;
  - (3) The size and type of piping;
  - (4) The cost of the piping and supplies;
  - (5) The labor cost to replace the piping;
  - (6) Any additional costs expected to be incurred for the project; and
  - (7) Any expected salvage value for the replaced piping, if any.
4. **Effect of Pro Forma Plant Items on Expenses.** Upon completion of the pro forma plant items, does Alturas anticipate that there will be any increases or decreases in expenses (e.g., purchased power, chemicals, operator expenses, or repairs)? If yes, please provide:
- a. A description of the expenses that are expected to increase or decrease;
  - b. The anticipated annual amount of the increases or decreases; and
  - c. Supporting documentation to show how the estimated increases or decreases were calculated.
5. **Pro Forma Plant Items – Retirements.** Please provide a list of the items that will be replaced and retired as a result of the pro forma plant replacements and the original cost of each item if available. Please note that it is Commission practice to retire 75 percent of the value of the new item if the original cost of the retired item is not available.

6. **Pro Forma Plant Items – Salvage Value.** Does Alturas anticipate any salvage value for any plant items replaced with the pro forma additions? If yes, please describe the parts that may have salvage value and provide an estimate of the expected salvage value.
  
7. **Financing for Pro Forma Plant and Expense Items.** Although the Commission may include pro forma items in the Utility's revenue requirement, the resulting rates will not yield sufficient revenues to cover the costs associated with the pro forma projects in the short term. Please provide the following information:
  - a. State how Alturas will finance the requested pro forma plant and expense items, such as a bank loan, letter of credit, or the owner's equity investment in the Utility; and
  - b. Provide any available supporting documentation related to that financing, such as a loan agreement or letter of credit from a bank. In the absence of an executed loan agreement, please provide any other available documentation, such as a letter from a bank that includes an estimate of the amount of the loan, term of the loan, and interest rate.
  
8. **Rate Case Expense.** Pursuant to Rule 25-30.455, Florida Administrative Code (F.A.C.), "If a utility that chooses to utilize the staff assistance option employs outside experts to assist in developing information for staff or to assist in evaluating staff's schedules and conclusions, the reasonable and prudent expenses will be recoverable through the rates developed by staff." Commission audit staff determined that Alturas has already incurred rate case expense of \$225 for work performed by the Utility's CPA. Has the Utility employed any other outside experts, such as an attorney or engineer, to assist with this rate case as described above? If yes, please provide:
  - a. An estimate of total rate case expense for this case, both to date and through the PAA phase; and
  - b. A detailed breakdown of all costs, along with any available supporting documentation, such as invoices or receipts.
  
9. **Monthly Accounting Services.** As discussed in Audit Finding 1 of the Auditor's Report issued on February 16, 2015, in this docket, Commission audit staff determined that Alturas is not maintaining its books and records on a monthly basis as required by Commission rules. In addition, as discussed in Audit Finding 4, audit staff determined that Alturas is not correctly recording the miscellaneous revenues that Alturas receives for miscellaneous service charges, such as the initial connection fee, normal reconnection fee, violation reconnection fee, premises visit fee in lieu of disconnection, and late payment fee. Because these are charges that are assessed to customers, the charges should be recorded in the Utility's billing register, as well as recorded on the Utility's books as revenue. Alturas must address both recordkeeping issues in order to be in compliance with Commission regulations. However, audit staff also determined that Alturas does not currently have an employee or contractual service provider responsible for handling the Utility's day-to-day bookkeeping operations. As a preliminary adjustment in the Staff Report, staff included an estimated contractual service bookkeeping expense of \$200 per month or \$2,400 annually pending additional information from the Utility. Please note that staff's adjustment is only intended to serve as a placeholder until the Utility determines the actual accounting expense it will incur. Therefore, please provide the following information:

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

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

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

11. **System Map.** In Alturas' March 25, 2015 response to staff's second data request, Alturas indicated that the Alturas system map had been updated and enlarged. Please provide an electronic copy of the new system map.
  
12. **Florida Rural Water Association (FRWA) Membership.** The Utility's test year did not include payment of membership dues to the FRWA. In addition, the FRWA's 2014-2015 membership directory did not list Alturas as a member. However, because Alturas' sister utility, Sunrise Utilities, LLC (Sunrise), was previously a member of the FRWA, staff included a preliminary adjustment of \$145 to cover the annual membership dues for Alturas in the event the Utility chooses to become an FRWA member. Is Alturas currently a member of the FRWA?
  - a. If yes, please provide documentation showing the Utility's current membership status and proof of payment of the annual membership dues, such as a cancelled check, credit card statement showing the payment, or confirmation from the FRWA that the payment was received;
  - b. If no, does Alturas plan to become a member of the FRWA? If yes, when does Alturas anticipate it will complete the membership application and pay the annual membership dues?
  
13. **FRWA Leak Survey.** In the Utility's March 25, 2015 response to staff's second data request, the Utility indicated that Alturas had not conducted a leak survey because Alturas did not own any leak detection equipment, but that Sunrise was in the process of contacting the FRWA and setting up a schedule to have the whole water system inspected for leaks. With regard to only the Alturas water distribution system, has Alturas requested assistance from the FRWA or any other entity to conduct a leak survey of the Alturas water distribution system to help determine the cause of the Utility's excessive unaccounted for water?
  - a. If yes, and if the survey has already occurred, please provide:
    - (1) the date(s) the leak survey was conducted;
    - (2) the results of the survey;
    - (3) documentation showing any additional costs that were incurred related to conducting the leak survey;
    - (4) documentation showing a description of any repairs that have been made as a result of the leak survey, the cost of the repairs, and proof of payment; and
    - (5) a detailed description of any future repairs that the Utility anticipates making as a result of the leak survey, including itemized bids or quotes showing the expected cost of the repairs.
  - b. If Alturas has scheduled a survey, but the leak survey has not yet occurred, please provide the date the leak survey is expected to be conducted.
  - c. If Alturas has not scheduled a leak survey, please describe any work Alturas has performed or plans to perform in order to isolate the cause of the excessive unaccounted for water.

**Utility Billing & Customer Service**

- 14. Hours of Operation.** Please provide the Utility's telephone hours for each day of the week. In addition, please state how customers get in contact with the Utility after hours and/or in the event of an emergency?
- 15. Customer Service.** Please provide the following information:
- a. Please describe in detail, Alturas's billing practice when a payment due date is on a weekend?
  - b. How often does Alturas check its post office box?
  - c. According to a letter by Sunrise (Alturas' sister utility) dated May 26, 2015, customers have the option to pay their utility bills in person at the home of Melissa Owen, Alturas and Sunrise's Office Manager, until 9:00 p.m. At the Sunrise customer meeting, some customers expressed they are not allowed to come to Ms. Owen's home. However, Ms. Owen offers to pick up the payment and at that time a premise visit charge is assessed. Please explain in detail whether or not customers have the option to take a payment to Ms. Owen's home and avoid paying a premise visit charge.
  - d. Please explain in detail why non-utility personnel is collecting payments from customers.
  - e. Prior to making collection efforts, is Alturas verifying the status of customers' accounts?
- 16. Premises Visit Fee in Lieu of Disconnection.** Please provide a list of all premises visit fees that have been charged to Alturas customers from January 1, 2015 to the present. Please include:
- a. Each customer's name and address;
  - b. The date each customer's payment was due;
  - c. The date each customer's water service was due to be disconnected for non-payment;
  - d. The date each customer's payment was received;
  - e. A copy of the disconnection notice that was sent to each customer;
  - f. The date a Utility representative visited each customer's premises; and
  - g. Whether the Alturas representative was at the customer's address to complete the scheduled disconnection or to respond to a customer's request related to a pending disconnection.
- 17. Rate Reduction.** Please provide a copy of a recent customer bill showing that the rate reduction was implemented by Alturas.

140219-WU Alturas Utilities, LLC  
RE: Staff's Third Data Requests  
June 9, 2015

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

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

Sincerely,

*s/ Kelley F. Corbari*

Kelley F. Corbari  
Senior Attorney

KFC/dml

cc: Office of Commission Clerk

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

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

<b>Pro Forma Project</b>  (as provided by the Utility in the audit and/or second data request response)	<b>Regulatory Mandate or Enhancement</b>	<b>Description of Project</b>  Please include the reason the project is needed and/or the benefits to be gained from the project, and whether the project is needed to serve all existing customers, only some existing customers, or future customers.	<b>Scheduled or Anticipated Project Start Date</b>	<b>Estimated Number of Days/Weeks/ Months Required to Complete Project Once Started</b>	<b>Initial Estimate</b>  (as provided by the Utility in the audit and/or second data request response)	<b>Bid 1 Amount</b>	<b>Bid 2 &amp; 3 Amounts</b>
Hydropneumatic tank inspection and repairs (per audit)	Mandate  (required by PCHD to be completed in May 2015)				<b>\$4,000</b> per audit response		
Replace existing electric panel (per audit and data request)	Enhancement				<b>\$6,000</b> per audit response <i>or</i> <b>\$6,500</b> per data request response	<b>\$11,500</b> per Dunham Well Drilling Bid on 5/28/15	

<b>Pro Forma Project</b>  (as provided by the Utility in the audit and/or second data request response)	<b>Regulatory Mandate or Enhancement</b>	<b>Description of Project</b>  Please include the reason the project is needed and/or the benefits to be gained from the project, and whether the project is needed to serve all existing customers, only some existing customers, or future customers.	<b>Scheduled or Anticipated Project Start Date</b>	<b>Estimated Number of Days/Weeks/ Months Required to Complete Project Once Started</b>	<b>Initial Estimate</b>  (as provided by the Utility in the audit and/or second data request response)	<b>Bid 1 Amount</b>	<b>Bid 2 &amp; 3 Amounts</b>
Backflow Prevention Devices (per audit)	Enhancement				<b>\$2,000</b> per audit response		
Replace water tank saddles (per data request response)	Mandate				<b>\$10,400</b> per data request response <i>or</i> <b>\$17,500</b> per data request response	<b>\$18,500</b> per Dunham Well Drilling Bid on 5/28/15 (includes painting the tank)	

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