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Public Service Commission

July 31, 2015

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

STAFF'S FOURTH DATA REQUEST

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

Dear Mr. Szabo:

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

Customer Deposits:

1. In your response dated July 20, you stated that Sunrise is currently holding a total of \$3,744 in customer deposits previously collected from 80 customers. Please provide the following information related to those deposits:

- (a) Rule 25-30.311(3), Florida Administrative Code (F.A.C.), requires that each utility that has on hand deposits from customers shall keep records that 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. Transactions include such activities as annual payment of interest to the customer and the refund of the customer deposit.
 - Please provide a copy of Sunrise's customer deposit records that show the information required by Rule 25-30.311(3), F.A.C., for the 80 customer accounts described above.
- (b) Pursuant to Rule 25-30.311(4), F.A.C., utilities are required to pay a minimum interest of 2 percent per year on residential customer deposits. The interest may be paid in cash or as a credit on the customers' current bills.
 - When and how does Sunrise pay the annual interest on the customers' deposits? For example, does Sunrise pay the interest to all eligible customers during a specific month each year or throughout the year when customers become eligible for an annual interest payment, and are customers paid the interest by check or as a separate credit on their bills?

- (c) Please state the last month and year when Sunrise paid interest on customer deposits.
- (d) Rule 25-30.311(5), F.A.C., requires that utilities refund residential customer deposits after a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, providing the customer has not, in the preceding 12 months, made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), paid with a check refused by a bank, been disconnected for nonpayment, tampered with the meter, or used service in a fraudulent or unauthorized manner.
 - If any of the 80 customer deposits currently held by Sunrise have been held for more than 23 months since the deposit was paid by the customer, please specify which accounts have been held more than 23 months, why the deposits are being held, and when each customer will become eligible again for a refund.
- (e) Rule 25-30.311(6), F.A.C., requires that when a customer discontinues their service from the utility, the deposit and accrued interest shall be returned promptly to the customer, no later than 15 days after service is discontinued. The rule allows that the deposit refund and interest may be credited against the final account and the balance, if any, returned to the customer.
 - Please describe Sunrise's procedures to ensure that customers receive a refund of their customer deposit and accrued interest when they discontinue receiving service from the Utility.

2. Sunrise is currently authorized to collect customer deposits. Does Sunrise collect customer deposits from new customers?

- (a) If Yes – please explain in detail the record-keeping procedures used to account for deposits collected by Sunrise.
- (b) If No – please explain in detail why Sunrise is not collecting deposits from new customers.

Utility Bad Debt and Customer Payment Records

During the Commission's audit, Sunrise provided a list showing the uncollectible accounts that were written off by Sunrise in 2014. (*See attached list*) Sunrise, however, did not provide any documentation to demonstrate how the bad debt was calculated. It appears that the 2014 bad debt may include uncollected amounts that were billed prior to the test year. In other words, the 2014 bad debt may actually represent more than one year of bad debt expense. Therefore, please provide the following additional information:

3. Please explain in detail Sunrise's policy or procedure for writing off bad debt. For example, how does Sunrise determine which accounts are uncollectible and how long does Sunrise hold the uncollectible debt on its records before writing it off as bad debt.
4. Does the attached list include any amounts that were billed to the customers prior to the 2014 test year?
5. Please show how Sunrise calculated the bad debt write-off for each account shown on the list. Please give the specific months and years that were written-off, and the billed amount for each of the months that was written off.
6. Sunrise did not provide any payment or collections records to the Commission's auditors. Please explain how Sunrise tracks customer payments and determines which accounts have not been paid. Also, please provide a sample of Sunrise's current customer payment or collection records that show how the customer payments are recorded and tracked.
7. Please provide a copy of the specific payment or collection records that Sunrise used to determine that the accounts on the attached list were not paid and were uncollectible.
8. Regarding the \$1,094 write-off for the Ron Rubino account at 2484 Thompson Road, please explain:
 - (a) What caused the large uncollectible debt for this account; and
 - (b) What steps did Sunrise take to collect the outstanding payments prior to deciding to write-off the debt.

9. Did Sunrise offset any of the uncollectible accounts with customer deposits that were previously paid by those customers?
- (a) If Yes – please specify which uncollectible accounts were offset with a customer deposit and the amount of the customer deposit.
 - (b) If No – please state why the uncollectible accounts were not offset with customer deposits.
10. Has Sunrise written-off any bad debt during 2015?
- (a) If Yes – Please provide:
 - A list showing each account and amount that has been written-off and show how Sunrise calculated the bad debt write-off for each account shown on the list;
 - The specific months and years that were written-off, and the billed amount for each of the months that was written off; and
 - A copy of the payment or collection records that were used to calculate the bad debt amount.
 - (b) If No – If Sunrise has determined any bad debt amounts that have not been written off yet, but will be written off for 2015, please provide the information requested in (a) above for those accounts.

Utility Billing:

During the test year Sunrise and Alturas contracted with Maria Mitra for billing services at a combined annual cost of \$4,800. However, during the Commission's audit, the Utility was only able to provide documentation to support payment of \$2,100 of that expense. Please answer the following questions related to the Utility's current customer billing expense:

11. Does Maria Mitra still provide billing services for Sunrise?
- (a) If Yes – Please provide:
 - A copy of the current contract or annual invoice for billing services to be provided during 2015;
 - A list of all payments that have been made to Ms. Mitra for billing services provided from January 1, 2015 to the present, including the date the payment was made and amount of the payment; and
 - A copy of the cancelled checks for each payment on the list.
 - (b) If No – Please explain how Sunrise completes customer billing at this time.
 - If Sunrise is receiving this service from a different vendor, please provide a copy of the current contract showing the contracted monthly or annual fee, a list of payments, and copies of the cancelled checks as described in (a) above.

12. Does Sunrise own the billing software that is used to calculate the customers' monthly bills or is the software provided by the billing vendor discussed in Question 11 above?

13. Commission audit staff determined that Sunrise's billing register did not include the miscellaneous service charges that were charged to customers during the test year, and Alturas did not provide any records showing the miscellaneous service charges that were charged to customers during the second half of the test year. In addition, Sunrise has not provided any documentation that shows how Sunrise is currently recording and tracking miscellaneous service charges. Has Sunrise or the billing vendor modified the current billing program to begin recording and tracking all miscellaneous service charges that are billed to and collected from Sunrise's customers?

- (a) If Yes – Please provide a sample from a recent months' billing register that shows any miscellaneous service charges that were charged and/or collected during that month.
- (b) If No – Please provide the following information, in as much detail as possible:
 - Explanation of the procedures that Sunrise is currently using to record and track all miscellaneous service charges that are charged to and collected from Sunrise's customers;
 - A sample from a recent months' billing that shows how Sunrise is recording and tracking miscellaneous service charge assessments and payments;
 - A description of how Sunrise will correct the billing program to begin recording all miscellaneous service charge assessments and customer payments;
 - When Sunrise estimates it will begin recording all miscellaneous service charge assessments and customer payments; and
 - Whether or not Sunrise will need to hire someone to update the software, will need to purchase new billing software, or will need to contract with a third party vendor that has the necessary billing software.

14. When Sunrise bills a customer for a miscellaneous service charge and the customer subsequently pays the miscellaneous service charge, does Sunrise show that miscellaneous service charge and the customer's payment on the customer's printed monthly bill for the following month?

- (a) If Yes – Please provide several samples of recent monthly bills that show any miscellaneous service charges that were charged and/or collected during that month.
- (b) If No – Please provide the following information, in as much detail as possible:
 - A description of how Sunrise will correct the billing format.
 - In as much detail as possible, please state whether or not Sunrise will need to hire someone to update the bill format, will need to purchase new billing software or forms, will need to contract with a third party vendor that has the necessary billing software, or if the current billing vendor will be able to update the billing format.

Utility Petty Cash Fund, Cash Collections, and Records Retention:

15. At the time of the Commission's audit, it appeared that Sunrise did not have a system in place to properly track Sunrise's petty cash fund. Does Sunrise currently have policies and procedures in place for tracking Sunrise's petty cash fund?

- (a) If Yes – Please describe Sunrise's current policies and procedures for recording and tracking cash deposits added to and withdrawals taken from the Utility's petty cash fund. For example, how does Sunrise track the source of the cash deposit and how does Alturas track expense payments that are made using petty cash, such as mowing or supply purchases.
- (b) If No – Please describe any steps that Sunrise plans to take to implement procedures to improve the recording and tracking of the petty cash fund.

16. Sunrise did not provide any customer payment records, collection records, or accounts receivable records to the Commission's auditors.

- (a) Please explain how Sunrise keeps track of customer payments and ensures that customer payments paid in cash are properly credited against the customer's bill.
- (b) Please provide a sample of the records that Sunrise uses to track customer payments.
- (c) Please describe any procedures or safeguards that Sunrise has implemented and/or will implement to ensure the proper collection and recording of cash payments.

17. As discussed in the Commission's audit, Sunrise did not have sufficient records to document all of its expenses during the test year or any prior years. Please describe any records retention procedures that Sunrise has implemented and/or plans to implement to ensure that the Utility maintains a historical record of all documentation that supports the Utility's expenditures related to the Utility's plant in service and operational expenses, such as invoices, receipts, and proof of payment.

Water Testing

18. In your July 10 response, you provided invoices for the completed two portions of the triennial water tests related to lead and copper, and TTHM & HAA5s. Has Sunrise completed the portions of the triennial water tests related to primary and secondary contaminants, and chemical analyses that are due to be completed by December 2015?

- (a) If Yes – Please provide the invoices for those tests.
- (b) If No – Please provide the estimated completion date for those tests?

Meter Testing and Meter Replacement Programs and Procedures:

19. During the test year, in August 2014, Sunrise incurred an expense of \$159 for checking meters. In order to determine an appropriate meter testing program expense going forward, please explain:

- (a) How many meter checks or tests were included in the \$159 expense?
- (b) Has Sunrise tested any meters during 2015? If yes, please provide the invoice(s) and proof of payment for those meter tests.
- (c) How many meters does Sunrise plan to test each year going forward?
- (d) If Sunrise is granted a meter replacement program, how many residential water meters can it reasonably expect to replace per calendar year?
- (e) Please identify all materials needed to replace a residential water meter and the associated costs of all the materials. For the meter itself, please provide the manufacturer name and model.
- (f) Please identify the estimated labor cost to install a residential meter.

Cell Phone Expense:

20. During the test year, in June 2014, Sunrise and Alturas began receiving cell phone service through the Utility's contract operator and also began paying a portion of the contract operator's cell phone expense. Please explain:

- (a) How did Sunrise receive phone service prior to June 2014?
- (b) Why did Sunrise arrange to receive cell phone service through the contract operator rather than obtaining cell phone service directly for the Utility?
- (c) Why did Sunrise begin paying for a portion of the contract operator's cell phone service?
- (d) How did Sunrise determine how much of the operator's total cell phone bill should be allocated to Sunrise and Alturas for the operator's monthly phone usage?
- (e) In the event that the current contract operator stops working for Sunrise, has Sunrise made arrangements with the contract operator to guarantee that the cell phone service will not be discontinued until Sunrise can make other arrangements for phone service?

Common Cost Allocations:

Historically, the Commission has allocated shared or common costs using a customer or equivalent residential customer (ERC) allocation methodology. This results in all customers paying a fair share of the common cost. Under the ERC allocation methodology, customers with larger meter sizes will pay a slightly larger share of the common cost based upon their specific meter size. Based on information available at this time, staff has preliminarily determined that the ERC allocation percentage split should be 77.07 percent for Sunrise based upon 247 ERCs and 23.93 percent for Alturas based upon 73.5 ERCs. The allocation percentages resulting from Sunrise and Alturas' allocation of common costs related to the contract office manager and contract operator are slightly different than staff's ERC allocation.

Please provide the following additional information regarding the Utility's test year common cost allocations:

Office Manager

21. During the test year, the Utility allocated \$193 or 64.33 percent of the office manager's \$300 weekly fee to Sunrise, and allocated the remaining \$107 or 35.67 percent to Alturas. Based on staff's preliminary ERC allocation, Sunrise would be allocated \$231 (77.07 percent) and Alturas would be allocated \$69 (23.93 percent).

- If Sunrise disagrees with staff's preliminary ERC allocation, please explain in detail how Sunrise determined the test year allocation of the office manager's fees and why Sunrise believes those allocations are more appropriate.

22. Approximately how many total hours per week does the office manager work for Sunrise and Alturas combined for regular daily activities, and how many of those hours are allocated to Sunrise?

23. Approximately how many total hours per week, month, or year (as applicable) does the office manager work for Sunrise and Alturas combined for emergency or on-call duties required on nights or weekends, and how many of those hours are allocated to Sunrise?

Operator

24. During the test year, the Utility allocated \$550 or 62.50 percent of the contract operator's \$880 monthly fee to Sunrise, and allocated the remaining \$330 or 37.50 percent to Alturas. Based on staff's preliminary ERC allocation, Sunrise would be allocated approximately \$678 (77.07 percent) and Alturas would be allocated approximately \$202 (23.93 percent).

- If Sunrise disagrees with staff's preliminary ERC allocation, please explain in detail how Sunrise determined the test year allocation of the contract operator's monthly fees and why Sunrise believes those allocations are more appropriate.

Mowing Expense:

25. During the Commission's audit, Sunrise was only able to provide documentation to support \$133 in mowing expense for three instances of mowing that occurred at the Sunrise plant site during the test year. In order to determine an appropriate mowing expense for Sunrise going forward, please provide a copy of any available invoices and payment records for any mowing that has been done at the Sunrise plant site during 2015.

Please file all responses electronically no later than **Friday, August 14, 2015**, from the Commission's website at www.floridapsc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form.

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

Sincerely,

s/ Kelley F. Corbari

Kelley F. Corbari
Senior Attorney

KFC/dml

cc: Office of Commission Clerk

ATTACHMENT

Sunrise Utilities, LLC (WU-870)
Staff Assisted Rate Case
Docket No. 140220-WU - APA# 14-350-4-1
Period Ending December 31, 2014

2/15/15
JHP
2/15

Route No	SUNRISE Name	Address	Amount
477	Mahom Lowe	2411 Spring Way	355
162	Ben Spradley	2345 Peach	360
389	Milliy Franco	2584 Edmond	290
465	Nancy Odom	2408 Winter Ridge	286
3	Ron Rubino	2484 Thompson	1,094
11	Kim Allan / D Leatherwood	2437 Thompson	277
87	Donald Leatherwood	2345 King	352
129	US Bank	2379 Peach	130
131	Kim Allan / D Leatherwood	2345 Peach	297
149	Kim Allan / D Leatherwood	2335 Peach	462
149	Tyson Family Trust	2335 Peach	264
			4,167

43-19

ALTURAS			
71	Edward Tichenor	2610 Oak Drive	671
			671

Per owner
Actual write off in 2014



Source: AS REFERENCED

43-19
1

F.A.C. RULE 25-30.311 CUSTOMER DEPOSITS

- (1) *Deposit required: establishment of credit.* Each company's tariff shall contain their specific criteria for determining the amount of initial deposit. Each utility may require an applicant for service to satisfactorily establish credit, but such establishment of credit shall not relieve the customer from complying with the utilities' rules for prompt payment of bills. Credit will be deemed so established if:
 - (a) The applicant for service furnishes a satisfactory guarantor to secure payment of bills for the service requested. A satisfactory guarantor shall, at a minimum, be a customer of the utility with a satisfactory payment record. A guarantor's liability shall be terminated when a residential customer whose payment of bills is secured by the guarantor meets the requirements of subsection (5) of this rule. Guarantors providing security for payment of residential customers' bills shall only be liable for bills contracted at the service address contained in the contract of guaranty.
 - (b) The applicant pays a cash deposit.
 - (c) The applicant for service furnishes an irrevocable letter of credit from a bank or a surety bond.
- (2) *Receipt for deposit.* A non-transferrable certificate of deposit shall be issued to each customer and means provided so that the customer may claim the deposit if the certificate is lost.
- (3) *Record of deposits.* Each utility having on hand deposits from customers shall keep records to show:
 - (a) The name of each customer making the deposit;
 - (b) The premises occupied by the customer when the deposit was made;
 - (c) The date and amount of deposit; and
 - (d) A record of each transaction concerning such deposit.
- (4) *Interest on deposit.*
 - (a) Each public utility which requires deposits to be made by its customers shall pay a minimum interest on such deposits of 2 percent per annum. The utility shall pay an interest rate of 3 percent per annum on deposits of nonresidential customers qualifying under subsection (5) below when the utility elects not to refund such a deposit after 23 months. Such interest rates shall be applied within 45 days of the effective date of the rule.
 - (b) The deposit interest shall be simple interest in all cases and settlement shall be made annually, either in cash or by credit on the current bill. This does not prohibit any public utility paying a higher rate of interest than required by this rule. No customer depositor shall be entitled to receive interest on his deposit until and unless a customer relationship and the deposit have been in existence for a continuous period of six months, then he shall be entitled to receive interest from the day of the commencement of the customer relationship and the placement of deposit.

F.A.C. RULE 25-30.311

CUSTOMER DEPOSITS

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- (5) **Refund of deposits.** After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility shall refund the residential customer's deposits and shall, at its option, either refund or pay the higher rate of interest specified above for nonresidential deposits, providing the customer has not, in the preceding 12 months, (a) made more than one late payment of a bill (after the expiration of 20 days from the date of mailing or delivery by the utility), (b) paid with check refused by a bank, (c) been disconnected for nonpayment, or at any time, (d) tampered with the meter, or (e) used service in a fraudulent or unauthorized manner. Nothing in this rule shall prohibit the company from refunding at any time a deposit with any accrued interest.
- (6) **Refund of deposit when service is discontinued.** Upon termination of service, the deposit and accrued interest may be credited against the final account and the balance, if any, shall be returned promptly to the customer but in no event later than fifteen (15) days after service is discontinued.
- (7) **New or additional deposits.** A utility may require, upon reasonable written notice of not less than 30 days, such request or notice being separate and apart from any bill for service, a new deposit, where previously waived or returned, or an additional deposit, in order to secure payment of current bills; provided, however, that the total amount of the required deposit should not exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. In the event the customer has had service less than 12 months, then the utility shall base its new or additional deposit upon the average monthly billing available.