

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Sumter County by Cedar Acres, Inc.

DOCKET NO. 140217-WU
ORDER NO. PSC-16-0351-FOF-WU
ISSUED: August 23, 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

6-MONTH COMPLIANCE REVIEW OF CEDAR ACRES, INC.
PURSUANT TO ORDER NO. PSC-15-0535-PAA-WU

BY THE COMMISSION:

CASE BACKGROUND

Cedar Acres, Inc. (Cedar Acres or Utility) is a Class C water utility serving approximately 319 customers in the Oakland Hills subdivision of Sumter County, which is located in the Southwest Florida Water Management District (SWFWMD). Wastewater treatment is provided by septic tanks. Cedar Acres was subject to Sumter County's jurisdiction when it was established and the development was designed. Sumter County turned over jurisdiction to this Commission in 1987. Unaware of the change in jurisdiction, Cedar Acres did not apply for an original certificate with this Commission until 2008. We granted Cedar Acres an original certificate and approved the rates and charges in existence at the time it was certificated.¹

On November 17, 2014, Cedar Acres filed an application for a staff-assisted rate case (SARC). The instant docket was the Utility's first rate case. Prior to this docket, rate base had never been established for Cedar Acres and its rates had not been changed since the Utility's inception, almost 30 years ago. On May 14, 2015, our staff conducted a customer meeting in Lady Lake, Florida. Approximately 38 customers attended the meeting and expressed their concerns, primarily with the amount of the rate increase.

At this Commission's October 13, 2015, Agenda Conference (Agenda Conference), we considered the Utility's SARC, including our staff's recommendations. Several customers attended the Agenda Conference and addressed this Commission, many restating the concerns expressed at the customer meeting regarding the amount of the rate increase. In addition,

¹ Order No. PSC-09-0541-FOF-WU, issued August 4, 2009, in Docket No. 080098-WU, *In re: Application for certificate to provide water service in Sumter County by Cedar Acres, Inc.*

customers conveyed frustration with billing issues, including meter and billing accuracy, and overall management practices of the Utility. The customers also conveyed concerns regarding a power outage incident that occurred in July 2015, which resulted in a water outage. The outage incident brought to light a major Department of Environmental Protection (DEP)/Department of Health (DOH) compliance issue with regard to boil water notices.

At the Agenda Conference, our staff recommended that we find the Utility's overall quality of service unsatisfactory. Circumstances surrounding the July 2015 outage incident and improper issuance of boil water notices, along with the same violations cited in both the 2012 and 2015 DEP sanitary surveys, weighed heavily in staff's recommendation.

Based on information contained in our staff's recommendation, comments presented by customers and the Office of Public Counsel (OPC), and discussions at the Agenda Conference, we approved a rate increase for Cedar Acres, but found the Utility's quality of service to be unsatisfactory.² As a result, we ordered several measures be taken to improve the Utility's service to its customers.³ These measures included our staff conducting a management audit of the Utility's billing and management practices. Additionally, we ordered Cedar Acres to file a compliance report with this Commission at 6 and 12 month intervals from the date of a Consummating Order being issued. In the compliance report, we required Cedar Acres to include a billing analysis as well as state all corrective measures taken: to resolve its billing issues; to address customer concerns and complaints; and to comply with Commission, DEP, and DOH regulations, including boil water notices.

Our staff initiated the management audit of Cedar Acres on October 26, 2015 and the findings were published in March 2016, in the "Management Audit of Cedar Acres, Inc." (Management Audit).⁴ The Management Audit focused on key management issues including owner involvement and accountability, adequacy of contractor performance, and effective relations with customers and regulators. Our audit staff also reviewed the Utility's compliance in general with this Commission's rules in the Florida Administrative Code (F.A.C.), governing water and wastewater utilities. In particular, our staff reviewed the Utility's compliance with the following rules:

- 25-30.130, F.A.C. Record of Complaints
- 25-22.032, F.A.C. Customer Complaints
- 25-30.311, F.A.C. Customer Deposits
- 25-30.26, F.A.C. Meter Readings
- 25-30.125, F.A.C. System Maps and Records

² Order No. PSC-15-0535-PAA-WU, issued November 19, 2015, in Docket No. 140217-WU, *In re: Application for staff assisted rate case in Sumter County by Cedar Acres, Inc.*

³ *Id.*

⁴ Document No. 01612-16 "Management Audit of Cedar Acres, Inc.," filed in Docket No. 140217-WU; and <http://www.floridapsc.com/Files/PDF/Publications/Reports/General/Waterandwastewater/CedarAcres.pdf>.

- 25-30.335, F.A.C. Customer Billing
- 25-30.320, F.A.C. Refusal or Discontinuance of Service
- 25-30.460, F.A.C. Application for Miscellaneous Service Charge
- 25-30.433, F.A.C. Determination of Quality of Service.⁵

Pursuant to Order No. PSC-15-0535-PAA-WU, Cedar Acres filed its 6-month Compliance Report (Compliance Report) on June 14, 2016.⁶ However, Cedar Acres neglected to file its billing analysis with the Compliance Report. By letter dated June 27, 2016, our staff informed Cedar Acres of the omission of the billing analysis, and instructed the Utility to file the billing analysis by July 8, 2016. Cedar Acres filed its billing analysis on July 8, 2016.

We have jurisdiction pursuant to Chapter 367, Florida Statutes, (F.S.).

DECISION

By Order No. PSC-15-0535-PAA-WU, we ordered Cedar Acres to allow our staff to conduct a management audit of the Utility to ensure that appropriate management controls and practices were being implemented and that corrective actions were being performed to comply with this Commission's rules and regulations. We also ordered Cedar Acres to file a Compliance Report at 6 and 12-month intervals from the date of the Consummating Order, issued on December 14, 2015, outlining corrective measures taken by the Utility to address regulatory compliance issues with DEP and DOH, customer concerns and complaints, and billing issues.

Our staff initiated the Management Audit of Cedar Acres on October 26, 2015, and the findings were published in March 2016. Pursuant to Order No. PSC-15-0535-PAA-WU, Cedar Acres timely submitted its 6-month Compliance Report, and filed its billing analysis on July 8, 2016. In its Compliance Report, Cedar Acres included a variety of corrective measures taken, as directed by this Commission and suggested by our Managerial Audit Staff. Presented below are the broad categories of concern cited in our Order, along with the actions taken by Cedar Acres to address the concerns.

Regulatory Compliance with DEP and DOH

As noted above, we found the Utility's overall quality of service unsatisfactory due to factors surrounding the July 2015 water outage incident and the improper issuance of boil water notices, as well as repeat violations cited on both the 2012 and 2015 DEP sanitary surveys. Pursuant to Order No. PSC-15-0535-PAA-WU, we required Cedar Acres to report to this Commission the corrective actions it had taken to comply with DEP and DOH regulations, including boil water notices.

⁵ *Id.*, p. 1-2

⁶ Document No. 04429-16 "Cedar Acres 6-Month Compliance Report," filed in Docket No. 140217-WU.

In its Compliance Report, Cedar Acres reported that it corrected all of the deficiencies noted in the July 2015 DEP Sanitary Survey Report. Our staff verified with DEP that all outstanding deficiencies, including a signed and sealed tank inspection, an emergency preparedness plan, a cross connection control panel on file, the calibration of the finished drinking water flow meter, and the repair of a damaged well pedestal, were corrected as of March 2016.

Prior to our Order, Cedar Acres issued boil notices incorrectly. In its Compliance Report, Cedar Acres reported that it installed a “blast” messaging system that notifies each customer directly, via telephone, of the implementation and rescission of boil water notices. In addition to the “blast” messaging system, as of March 2016, Cedar Acres installed, and ensured the proper operation of, a Sensaphone (auto-dialer) system. The Sensaphone system alerts the plant operator, Universal Waters, and the Utility of any operational problems. Cedar Acres also reported that it conducted generator maintenance checks to ensure back-up power for power outages.

In June 2016, the “blast” messaging system and auto-dialer were put to the test when a transformer surged during Tropical Storm Colin, causing the primary and secondary pumps to shut off. The generator turned on properly but a drop in water pressure still occurred, which resulted in a need for a boil water notice to the community. The “blast” messaging system functioned properly during this incident and, in accordance with DEP regulations, notified Cedar Acres customers of the boil water notice. DEP confirmed that Cedar Acres complied with its policies with regard to both the Utility’s overall response to the outage, including issuing and rescinding the boil water notices, as well as the operation of the Utility after the incident.

Customer Concerns and Complaints

At our October 13, 2015 Agenda Conference, several customers conveyed their frustration to us regarding the overall management practices of the Utility. Specifically, some of these customers noted their repeated inability to reach Cedar Acres personnel when needed to resolve problems.

One of the first suggestions outlined in this Commission’s Management Audit was the need for Cedar Acres to develop and implement written procedures that would provide a record of customer complaints and inquiries in compliance with Rule 25-30.130, F.A.C. According to the Management Audit, in the past, Cedar Acres failed to promptly address customers’ concerns and provide an adequate two-way channel for customers to funnel inquiries and complaints. Cedar Acres asserted that it made a practice to return all calls made to the Utility’s office. The Management Audit, however, concluded that, on occasion, customers called the billing contractor if they were unable to reach someone at the Utility office. As a result, customer complaints accurately were not logged in, and thus, calls were not returned.

Cedar Acres agrees that, in the past, it did not keep records of all incoming calls and its response to customer concerns. Cedar Acres reports that, in January 2016, it began the practice of logging customer inquiries and complaints received by customers. The log currently contains records denoting customer names, contact date, the form of contact (i.e., email, telephone, written notice), nature of inquiry, and the status of the Utility's response.

In the Management Audit our staff suggested that, since Cedar Acres is ultimately responsible for maintaining a record of complaints, and monitoring and tracking complaints, customers should be provided with, and informed to call, the Hollywood office number for all customer billing and service inquiries, which should provide the Utility greater awareness of customer issues and the performance of its contractors. For this reason, and due to a telephone company routing issue, the Utility's officers arranged for a new telephone line to be installed. According to Cedar Acres' Compliance Report, landlines from the Oakland Hills subdivision were being routed in error to a hospital when customers were trying to call the Utility's Hollywood office. Since this issue has since been corrected, the new line change should provide customers with a clear line of communication with Cedar Acres. The Utility's new telephone number and new email address were included on its March 1, 2016, customer bills and subsequent bills. In its Compliance Report, Cedar Acres notes that many customers do not have answering machines; however, the Utility makes every effort to contact these customers, including attempting to telephone them up to five times.

On January 16, 2016, the Utility's president held an informal meeting with customers and officers of the homeowners association in an additional effort to improve communications with the customers. The owners of Artesian, the company providing billing and meter reading services for Cedar Acres, also attended this meeting. Besides making sure the customers have a clear understanding of how to reach Cedar Acres, its president wanted to hear and address the concerns and frustrations expressed by customers at our October 13, 2015 Agenda Conference.

Prior to the January 16, 2016 informal meeting, customers expressed concerns that there was no vehicle signage or uniforms on meter readers and with unidentified people on their property. Thus, the customers wanted the meter readers to be clearly identifiable. Understanding this concern, both Cedar Acres and Artesian noted that Artesian has had signage on its truck since 2010, and that Artesian personnel wear coral colored shirts that say "Meter Reading." Cedar Acres shared this information with its customers at the informal meeting. According to Cedar Acres, many customers told Artesian personnel attending the meeting that they have known the Artesian personnel for years. Based on this information, we find that the meter reader identification matter has been resolved.

Since our Order and the January 16, 2016 informal customer meeting, we have received two customer complaints. One complaint involved a billing address issue that is discussed below. The other complaint regarded the June 2016 water outage that occurred due to a transformer surge discussed above. In both instances, we find Cedar Acres was appropriately responsive. On the outage complaint, both Cedar Acres and our staff exchanged numerous telephone conversations and emails with the customer explaining the cause of the outage. In addition, DEP has exchanged several emails with the customer regarding the outage. Therefore, we find the June 2016 outage complaint to be adequately addressed and resolved.

Billing Issues

In addition to frustration with management practices, customers have expressed concern with the Utility's billing practices. For example, customers reported faulty meters, unusual bills, and an issue with mailing.

A primary source of the Utility's billing issues was directly related to the need to replace customer meters. Some of the billing abnormalities were due to inaccurate or inoperable meters, which often led to estimated bills. Additionally, OPC expressed concern that the billing determinants relating to usage were not reliable for rate-setting purposes. To address this problem, we ordered Cedar Acres to implement a meter replacement program.⁷ Further, we ordered Cedar Acres to escrow \$2,350 every two months, \$14,110 annually, to be used for the program, which equates to approximately 78 meters each year, for a total of approximately 320 meters.

In an effort to help Cedar Acres efficiently achieve the goal of replacing meters, our Management Audit suggested that Cedar Acres perform an audit of every residential meter to identify its condition in order to prioritize meter replacements. In its Compliance Report, Cedar Acres indicated that meters are audited with each reading and prioritized for replacement. According to its Compliance Report and discussions with our staff, Cedar Acres has replaced 14 meters thus far and has ordered 12 additional meters that are scheduled to be installed by the end of July. Taking into consideration that the Utility's bills reflecting the new rates were not sent until March 2016, for the January/February billing cycle, we find that Cedar Acres is making good progress with the meter replacement program and our staff will continue to monitor the progress of the meter replacement program.

Pursuant to Order No. PSC-15-0535-PAA-WU, Cedar Acres established an escrow account for the meter replacement program and filed the escrow agreement with this Commission on April 14, 2016. According to Cedar Acres, the ordered amount of funds have not yet been escrowed even though meters have been replaced. Cedar Acres explained that it paid unexpected costs in the amount of \$4,587 to replace a pump motor and starter in March 2016, which was necessary for the proper operation of the utility plant. Cedar Acres advised that, due to the motor replacement expenditure, the ordered funds were not available to be placed into escrow. We find this to be an extraordinary situation. While Cedar Acres is not in full

⁷ Order No. PSC-15-0535-PAA-WU.

compliance with our Order, we find that Cedar Acres is following the spirit of the Order by going forward with the actual replacement of meters. In addition, we find that Cedar Acres will be in a position to follow the escrow procedure, as ordered, by September 2016, once it receives its July/August billing cycle revenues.

In order to address some of the concerns regarding incorrectly estimated bills, our Management Audit suggested that Cedar Acres modify its bill calculation process and institute a review of each bill for inaccuracies prior to being mailed to customers. According to the Management Audit, the Utility's review process should include cross-checking the meter readings log input to customer bills. In its Compliance Report, Cedar Acres stated that bills are reviewed by the Finance Manager for anomalies. Cedar Acres also stated that a spreadsheet is maintained to compare the recent billing with the prior billing period. While a number of meters remain inoperable or unreadable, Cedar Acres indicated in its Compliance Report that those customers are only billed the base facility charge.

Since Cedar Acres is unable to determine usage for these customers, we find that the billing analysis provided by Cedar Acres is not reliable for determining customer usage for the six month billing period included in the report. As Cedar Acres continues to replace meters, it will be able to gather more accurate billing data. In addition, the billing analysis Cedar Acres must file at the end of 12 months should provide a better representation of customer usage.

The final billing concern involved two separate billing address and mailing issues. One billing address issue was discussed at our October 13, 2015, Agenda Conference. It involved a customer's bill being mailed to an incorrect address, and the customer's repeated unsuccessful attempts to get the issue resolved. The matter was resolved after our Agenda Conference. Additionally, as mentioned above, a complaint was filed with this Commission on May 11, 2016, involving a homeowner receiving a copy of the tenant's bill. According to the homeowner, she had expressed on several occasions that she did not wish to receive a copy of her tenant's bill. While the tenant was receiving the bill through email, Cedar Acres was under the impression the homeowner also wanted a copy of the bill. The issue has now been resolved. We believe this complaint took place during a time when Cedar Acres was in the process of implementing its new policies and procedures pertaining to customer complaints and/or inquires. While we find that Cedar Acres has made improvements in handling customer complaints/inquires, we will evaluate the Utility's overall performance at the end of the 12-month compliance period.

Based on the discussion above, we find that Cedar Acres has incorporated many of the suggestions made in our Management Audit and is making a substantial effort to comply with Order No. PSC-15-0535-PAA-WU, in implementing corrective actions and improvements with regard to its service to its customers. We also find that Cedar Acres has taken positive steps toward improving its billing issues, and complying with regulatory matters. Because we find Cedar Acres to be making a substantial effort to comply with our Order, we do not find that Cedar Acres should be ordered to show cause for non-compliance at this time.

Cedar Acres shall file its 12-month Compliance Report by December 14, 2016 and our staff will subsequently report to us on the status of the Utility's compliance at that time. In the meantime, our staff shall continue to monitor the Utility's compliance progress and the status of its escrow account and meter replacement program.

Based on the foregoing, it is

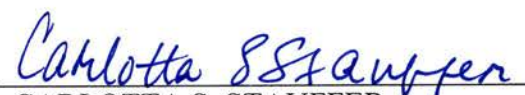
ORDERED by the Florida Public Service Commission that Cedar Acres, Inc. is in substantial compliance with Order No. PSC-15-0535-PAA-WU, and shall not be ordered to show cause for non-compliance at this time. It is further,

ORDERED that Cedar Acres, Inc. shall continue to comply with the provisions of Order No. PSC-15-0535-PAA-WU, and shall file a 12-month Compliance Report with the Commission by December 14, 2016. It is further,

ORDERED that Commission staff shall report to the Commission regarding the status of Cedar Acres, Inc.'s compliance after the 12-month Compliance Report is filed. In addition, Commission staff shall continue to monitor Cedar Acres, Inc.'s compliance progress and the status of the escrow account and meter replacement program. It is further,

ORDERED that this docket shall remain open to allow Commission staff to continue to monitor Cedar Acres, Inc.'s compliance with Order No. PSC-15-0535-PAA-WU, the meter replacement program, and the escrow account.

By ORDER of the Florida Public Service Commission this 23rd day of August, 2016.



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

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 and/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.