

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-17-0089-FOF-WU
ISSUED: March 9, 2017

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS
DONALD J. POLMANN

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

BY THE COMMISSION:

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.

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.*

At this Commission's October 13, 2015, Agenda Conference (Agenda Conference), we considered Cedar Acres' 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, 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 Cedar Acres' 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 our staff making the 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 Cedar Acres' 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 Cedar Acres' compliance with the following rules:

² "Order Approving Rate Increase for Water and Final Order Establishing Temporary Rates," 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>.

- 25-30.130, F.A.C. Record of Complaints
- 25-22.032, F.A.C. Customer Complaints
- 25-30.311, F.A.C. Customer Deposits
- 25-30.261, F.A.C. Meter Readings
- 25-30.125, F.A.C. System Maps and Records
- 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. By Order No. PSC-16-0351-FOF-WU, issued on August 23, 2016, we acknowledged that the Cedar Acres was continuing to implement management controls and practices and corrective actions to comply with this Commission's rules and regulations.⁷ We also found Cedar Acres to be in substantial compliance with Order No. PSC-15-0535-PAA-WU.⁸

On December 14, 2016, Cedar Acres filed its 12-month Compliance Report. This Order addresses Cedar Acres' 12-month Compliance Report. We have jurisdiction pursuant to Chapter 367, Florida Statutes, (F.S.).

DECISION

On December 14, 2016, Cedar Acres timely submitted its 12-month Compliance Report, along with the required billing analysis. In its Compliance Report, Cedar Acres confirmed a variety of corrective measures that it is continuing to take, as ordered by this Commission and suggested by our Management Audit. Presented below is a review of the broad areas of concern we cited in Order No. PSC-15-0535-PAA-WU, including the measures Cedar Acres has taken to address these concerns, and our findings.

⁵ *Id.*, p. 1-2

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

⁷ "6-Month Compliance Review of Cedar Acres," Order No. PSC-16-0351-FOF-WU, issued August 23, 2016, in Docket 140217-WU.

⁸ *Id.*

Quality of Service

Cedar Acres has continued to implement the corrective measures that recommended in our Management Audit. Cedar Acres implemented a system to record customer complaints, but did not have any customer complaints to report since its 6-month compliance report. In addition, neither our Consumer Activity Tracking System (CATS), nor DEP recorded any violations or complaints on Cedar Acres in the last six months. Therefore, we find that Cedar Acres Utility has taken adequate measures to address customer concerns and complaints and to comply with the requirements and rules of this Commission and DEP.

Billing Issues

During our October 13, 2015, Commission Conference on Cedar Acres' SARC, customers expressed concern with the Utility's billing practices. For example, customers reported faulty meters, unusual bills, and a mailing issue dispute between an owner of the property receiving water and the tenant of the property.

At our Commission Conference, we recognized that a primary source of Cedar Acres' 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 an expedited meter replacement program.⁹ 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 over a four-year period.

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 12-month Compliance Report, Cedar Acres confirmed meters are audited with each reading, and prioritized for replacement. According to its Compliance Report and discussions with our staff, Cedar Acres has replaced 50 meters thus far and has ordered 12 additional meters that are scheduled to be installed when they arrive, based on the installer's schedule. Thus, 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. Due to unanticipated repair expenses, which we acknowledged during the 6-month compliance review of Cedar Acres, the Utility has not always been able to make regular escrow deposits.¹⁰ However, we find that Cedar Acres has been replacing an acceptable number of meters on a consistent basis. While Cedar Acres is not in full compliance

⁹ Order No. PSC-15-0535-PAA-WU.

¹⁰ Order No. PSC-16-0351-FOF-WU, p. 6.

with our Order regarding the escrow deposits, we find that Cedar Acres is diligently working to replace meters and is keeping our staff updated on the status of its replacement of meters. Moreover, we find that Cedar Acres is following the spirit of the Order by continuing to go forward with the actual replacement of meters even when funds have not been timely deposited into the established escrow account.

For the reasons outlined above, we find that Cedar Acres to be making a substantial effort to comply with Order No. PSC-15-0535-PAA-WU, by implementing corrective measures and improvements to the Utility's service to its customers, including continuing to incorporate suggestions contained our Management Audit. Further, we find that Cedar Acres has taken positive steps toward improving its billing issues and complying with regulatory matters. Because Cedar Acres is 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. In addition, our staff shall continue to monitor Cedar Acres' progress with the meter replacement program and the escrow account.

Billing Analysis

Pursuant to Order No. PSC-15-0535-PAA-WU, Cedar Acres filed an updated billing analysis with its 12-month compliance review. The billing analysis data represented the 10-month period from January 2016 to October 2016. Based on the billing analysis data, we annualized revenues and water demand for the 10-month period and compared those amounts with the revenue requirement approved in Order No. PSC-15-0535-PAA-WU. Our findings are set out in the table below.

Revenue and Demand		
	Revenue	Demand
Commission Approved	\$115,111	15,716,600 gallons*
Billing Analysis - Actual	\$60,635	5,303,461 gallons
Billing Analysis - Annualized	\$72,763	6,364,134 gallons
*Approximate post-repression gallons		

Source: Order No. PSC-15-0535-PAA-WU, Utility data, and our calculations

In its 12-month Compliance Report, Cedar Acres indicated that it has replaced 50 meters, with 12 more on order. Cedar Acres further indicated that the last 24 meters were replaced subsequent to its October 2016 billing cycle. Our review of the data submitted by Cedar Acres and the Utility's monthly operating reports for the corresponding period of January 2016 to October 2016, reflects approximately 18 million gallons pumped versus the 5.3 million gallons sold. Although Cedar Acres is replacing all of the meters, there were 44 meters (or 16 percent) that were identified as partially readable or unreadable in our Management Audit. Therefore, we are concerned with the disparity between the gallons pumped and gallons sold.

At our February 7, 2017, Agenda Conference, Cedar Acres informed us that it had leak in its system, which it repaired subsequent to filing its 12-month Compliance Report and billing analysis. The recent leak repair Cedar Acres identified at our Agenda Conference may ultimately explain the disparity observed between the gallons pumped and gallons sold. However, since we were not aware of the leak and Cedar Acres' billing analysis does not reflect any actual readings from the most recent set of meter replacements, we find it necessary to require that Cedar Acres provide an additional billing analysis in order to more fully evaluate the customer demand.

At our Agenda Conference, we also encouraged Cedar Acres to reach out to the Florida Rural Water Association to assist with identifying the cause of the Utility's discrepancy between gallons pumped and gallons sold, which Cedar Acres indicated it would do. Thus, for the reasons outlined above, we find that Cedar Acres shall file an additional billing analysis on or before July 31, 2017, in this docket, which reflects the billing period of November 1, 2016 to June 30, 2017. In addition, Cedar Acres shall file a status report containing the actions taken by the Utility or the Florida Rural Water Association to investigate the gallons pumped versus gallons sold discrepancy and the results of such investigation, if available.

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,

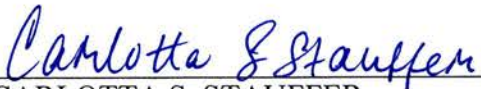
ORDERED that Cedar Acres, Inc. shall continue to comply with the provisions of Order No. PSC-15-0535-PAA-WU, and shall file a billing analysis on or before July 31, 2017, reflecting the period of November 1, 2016 to June 30, 2017. It is further,

ORDERED that Commission staff shall analyze the billing analysis filed by Cedar Acres, Inc. on July 31, 2017, and, if necessary, report to the Commission regarding the billing analysis and results of Cedar Acres, Inc.'s investigation into the discrepancy between the gallons pumped and gallons sold. In addition, Commission staff shall continue to monitor Cedar Acres, Inc.'s compliance progress with the meter replacement program and escrow account. It is further,

ORDERED that this docket shall remain open to allow Commission staff: (i) to analyze the billing analysis and the investigation report, regarding the discrepancy between the gallons pumped and gallons sold, filed by Cedar Acres, Inc.; (ii) to monitor Cedar Acres, Inc.'s progress with the meter replacement program; (iii) to administer the meter replacement escrow account funds.

ORDER NO. PSC-17-0089-FOF-WU
DOCKET NO. 140217-WU
PAGE 7

By ORDER of the Florida Public Service Commission this 9th day of March, 2017.



CARLOTTA S. STAUFFER
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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.

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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.