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STEVE CRISAFULLI
*Speaker of the House of
Representatives*



May 27, 2015

Mr. Andrew Maurey
Division of Accounting and Finance
Florida Public Service Commission
2340 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket 140217-WU - Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc. – OPC List of Concerns

Dear Mr. Maurey,

The Office of Public Counsel is actively monitoring the staff-assisted rate case docket for Cedar Acres, Inc. (“Utility”, or “Company”). Attached is a list of issues that OPC has prepared to identify concerns we have with Staff’s preliminary findings in its Staff Report issued on April 14, 2015. We would like to bring these to staff’s attention to aid staff in its review of the rate case and to allow the staff sufficient time to review our concerns and ask for any additional information that might be needed. If you should have any questions, please feel free to call or e-mail me.

Sincerely,

s/ Patricia W. Merchant

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C: Division of Accounting & Finance (C. Bulecza-Banks, C. Galloway, L. Smith, B. Fletcher)
Division of Economics (K. Thompson, S. Hudson)
Division of Engineering (M. Mtenga, P. Vickery)
Division of Auditing and Performance Analysis (L. Deamer)
Office of the General Counsel (J. Crawford, K. Corbari, L. Ames)
David J. Simons, President, Cedar Acres, Inc. (davidjsimons@aol.com)
John Kroll, Customer (jjklfl@aol.com)

OPC Issues and Concerns Cedar Acres, Inc. Docket No. 140217-WU

Plant in Service and Accumulated Depreciation

1. In the Objectives and Procedures portion of the Audit Report and in Audit Finding 2, the staff auditors stated that they were not able determine or verify the balances of plant and accumulated depreciation other than the recent additions. Further the auditors tried to reconcile a bid and the general ledger but the Utility was unable to explain the variance. The auditors noted that since plant went into service in 1985, it has approximately 30 years of depreciation, which would significantly offset the original cost of plant. The auditors were only able to verify \$57,019 in plant based on recent plant additions. OPC is concerned about approving the company's requested plant and accumulated depreciation balances instead of the audited amounts, especially since rate base has never been established. Staff should explain why the auditor's recommendations were not followed when staff issued its preliminary recommendation.
2. OPC is also concerned with why the Company spent \$28,659 on power generation equipment in 2012. Has engineering staff reviewed the purchase of this plant addition to see if it was reasonable and prudent to purchase the size generator added and is the generator used fully by the Utility and not by any other entity.

Land

3. In Audit Finding 3, the auditors stated that the 4.34 acres of Utility land is divided into two non-contiguous parcels, each having a well. One of the parcels also has the water treatment facility on it. The Utility stated that it only uses one of the parcels. The other parcel has a non-working well on it. The auditors stated that they did not verify this and requested that the staff engineer review this issue and make adjustments, if any, to the value of land that they calculated. Staff's report allows the full 4.34 acres in rate base with no discussion regarding the auditor's findings. Question 1 in Staff's Second Data Request, relates to this issue, but no response by the Utility has been placed on the Commission's website. The Utility should explain why the full 4.34 acres are providing utility services and why it is reasonable to be included in rate base.
4. Lawn maintenance. According to the lawn service invoices, two lots are maintained for the Utility during the growing season. OPC would like the Company to explain why it is reasonable for the Utility to pay for lawn maintenance on land where an abandoned well is located. Also, the Utility needs to disclose whether it pays to have lawn maintenance on any other property other than utility-related facilities.

Affiliate Transactions

5. The Utility should disclose the legal status of the affiliate J.S.R. Company, including the names of its owners, what services it provides, and what business it conducts. OPC believes that the Utility should state whether the Company is run out of the shared office space of the Utility or shares any expenses. This Company is not listed on Sunbiz.org, the website of the Florida Department of State's Division of Corporations.
6. The Utility should detail the complete business purpose of Cedar Acres, Inc., including whether the Company is in the business of selling and managing lots and development activities as well as providing utility services. Further, the Company should state whether Cedar Acres, Inc. owns any lots or property other than the utility such as the roads, drainage or a clubhouse. If yes, please provide a detailed list of all functions that the company/developer performs.
7. The following active businesses reflect that David J. Simons is an officer, agent or director on Sunbiz.org. OPC believes that the Company should provide a description of each business and whether each company is run out of the shared office space of the Utility.
 - a. Handi-Sim, Inc.
 - b. Jerome A. Simons, P.A.
 - c. Center for Human Development, Inc.
 - d. Temple of Universal Healing, Inc.
 - e. American Arts, Inc.
 - f. The Lauderhill Community Services Foundation, Inc.
 - g. Wallack, Inc.
 - h. Masquerade Costumes, Inc.
 - i. Simons Family Limited Partnership
8. David J. Simons is listed as a member in good standing and eligible to practice law according to the Florida Bar. The Utility should state under which business name(s) David J. Simons practices law and how many employees are employed in his law practice.
9. The Utility should state whether David J. Simons' law practice is located at the same office as the Utility.
10. The Utility should provide a list of all companies that share the common office space with the Utility, including the total square footage space leased, the square footage used by each entity, the number of offices, whether any common employees use the space.
11. The Utility should state whether the president and manager provide services for any other businesses. If so, the Utility should provide a list of each business and how many hours are spent performing services for any other companies or organizations.

12. The Utility should state the basis and provide supporting documentation for the statement that the Utility uses $\frac{1}{4}$ of the office for a fee of \$762 per month.
13. The Utility should disclose the professional and any personal/family relationships between David J. Simons, Stayce L. Smith, and Barbara M. Simons.

Salary for President and Manager

14. The Utility should disclose how many hours per week Ms. Stayce L. Smith spends working on utility business. Other than services provided in responding to audit and staff data requests, it should provide a detailed explanation of how many hours Ms. Smith spends performing utility-related work on a weekly basis and how often these duties are performed. Also, the Utility should state whether Ms. Smith provides any services to any other entities. If so, it should provide which entities and how many hours per week are spent providing services to other entities.
15. The Utility should disclose how many hours per week Mr. David Simons spends working on utility business. Other than services provided in responding to audit and staff data requests, it should provide a detailed explanation of how many hours Mr. Simons spends performing utility-related work on a weekly and monthly basis and how often these duties are performed. Also, the Utility should state how much time Mr. Simons provides services per week to other entities.
16. In the minutes to the board of director meeting held in 2013, the directors approved a proposal to retain Jerome A. Simons, P.A. as the attorney for the corporation with no increase at a retainer fee of \$3,950 for the coming year. These fees will be held in abeyance until there are sufficient funds. The Utility should state if any of these fees have been paid, and if so, provide supporting documentation showing the purpose and reasonableness of any amounts paid.
17. The Utility should explain the reasonableness of allowing a full time manager which costs \$51,923 for a utility with 261 (or 319) customers. This equates to \$199 per customer per year. According to the Staff report, Ms. Smith's duties include general bookkeeping, financial reporting, responding to customer inquiries, coordinating maintenance and coordinating with the meter reading service. According to Audit Finding 1 and bank statements provided to the staff auditors, very few monthly transactions are recorded on the books of the utility and a CPA filed the 2013 annual report. Based on the size of the Utility, a full time accountant is not necessary and would take little time per month to record the entries. Also, the Utility uses a contract operator and contract meter reading and billing service, as such, the need for maintenance, billing, or customer complaint coordination does not require a full time position.

Directors Fees

18. The Staff Report states that \$1,350 should be allowed for Directors Fees. The Utility should explain why the customers should pay \$450 for 3 directors to attend one meeting in 2013 held in the Utility office is reasonable, particularly given the small size of this Class C Utility.

Rates & Repression Calculations

19. OPC is uncertain if the existing and preliminary rates reflected in the staff report are monthly or bi-monthly. The report on page 16 states that the recommended rates are bi-monthly but Schedule 4 states that the rates are monthly. Please explain.
20. Reviewing the documents used by the staff auditors and the rate analyst workpapers, it appears that the consumption levels and number of bills by thousand gallon increments are not identical. Please explain how each consumption level can be reconciled.
21. Staff should explain how the 23.24% repression adjustment was calculated. What percentage of customers use less than 3,000 gallons per month (or 6,000 on a bi-monthly basis), and was this level of consumption removed from the repression adjustment? What would the rates be if no repression adjustment were made?
22. The Staff Report states that 17% of the bills had zero consumption during the test year and that this indicates a non-seasonal customer base. What percentage of zero bills constitutes a seasonal customer base and what impact would seasonality have on the rate structure?

Other

23. The docket file on the Commission's website includes two Staff Data Requests. Neither of these responses is reflected in the docket file. Has either of the responses been received from the Utility? If so, OPC requests that Staff place a copy of each in the docket file.
24. The 2014 annual report is not uploaded on the Commission's website. Has this report been filed? If not, why not and when will the 2014 report be filed? Are the regulatory assessment fee payments to the Commission up to date?
25. In the Utility's 2013 annual report, it states that the Company has 261 customers. In Staff's Preliminary Report, it states that the Company has 319 customers. The Utility should clarify how many customers it has.