

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

In the Matter of:

DOCKET NO. 140217-WU

APPLICATION FOR STAFF-ASSISTED
RATE CASE IN SUMTER COUNTY BY
CEDAR ACRES, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 4

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER JULIE I. BROWN
COMMISSIONER JIMMY PATRONIS

DATE: Tuesday, October 13, 2015

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: LINDA BOLES, CRR, RPR
Official FPSC Reporter
(850) 413-6734

P R O C E E D I N G S

1
2 **CHAIRMAN GRAHAM:** Okay. Item No. 4.

3 **MS. GALLOWAY:** Good morning, Commissioners.
4 Cissy Galloway with Commission staff.

5 Item No. 4 is staff's recommendation regarding
6 Cedar Acres' staff-assisted rate case. Cedar Acres is a
7 water-only utility located in Sumter County. They serve
8 approximately 319 water customers. This is the
9 utility's first rate case since its inception in the
10 mid-1980s when rates were first established by Sumter
11 County.

12 Commissioners, staff has an oral modification
13 which affects Issues 11 and 12. This modification has
14 been provided to your offices and to the parties. We
15 have at the table Tricia Merchant and John Truitt from
16 Office of Public Counsel. I believe they're here to
17 address the Commission, and I believe they also have
18 several customers who have driven up today, and OPC will
19 introduce those customers.

20 **CHAIRMAN GRAHAM:** Okay. OPC.

21 **MR. TRUITT:** Thank you, Mr. Chairman,
22 Commissioners. John Truitt and Tricia Merchant on
23 behalf of the Office of Public Counsel appearing on
24 behalf of the customers.

25 We do have five customers that have driven up,

1 and four would like to speak today. And we would ask
2 that they be allowed to go first, and then we will
3 address the Commission, if that's okay.

4 **CHAIRMAN GRAHAM:** Sure. And you're going to
5 call them up one at a time?

6 **MR. TRUITT:** They're going to head up one at a
7 time to the podium.

8 **CHAIRMAN GRAHAM:** Okay. Well, when you come
9 up, if you can give your name and address, and you'll
10 have three minutes to speak. And I realize this is the
11 first time for a lot of you, so relax, take a deep
12 breath.

13 **MR. MANNING:** No problem. My name is Michael
14 Manning. I live at 7647 County Road 109D in Lady Lake.

15 First off, I want to start off with I got a
16 petition with 114 signatures from our community.
17 There's approximately 300 homes. We've got a lot of
18 snowbirds that were still up north, but I figure it's
19 more than a third, and probably more than half of what
20 was at their residence at that time.

21 **CHAIRMAN GRAHAM:** Okay. You can place it
22 right there on the corner. Our attorney will get it.
23 Thanks.

24 **MR. MANNING:** Like you said, first time doing
25 something like this, so I'm just going to do the best I

1 can.

2 First of all, not one of us does not think
3 that Cedar Acres should be able to make a profit. Okay?
4 We all agree that in order to do a business, you've got
5 to make a profit. But in order to make a profit and to
6 stay in business, you also have to give service and it
7 has to be quality; otherwise, you're not going to stay
8 in business. Your own reports indicate the quality of
9 service is unsatisfactory -- in some situations, a
10 danger to the residents as in boil water alert
11 readiness. There's no reverse 911. Sorry. If it
12 wasn't for the residents putting out the signs, we'd
13 never get any type of boil water alert.

14 The log book proving inspections was never
15 updated. There hasn't been a signature in it in years.
16 In July we had a boil water alert again. The reasoning
17 for it, Cedar Acres didn't pay the electric bill, and
18 then the backup generator ran out of diesel, I believe,
19 ran out of fuel.

20 Cedar Acres has been fined in the past for
21 issues. The fines were reduced to a slap on the wrist.
22 They continue to put the community at risk with their
23 dangerous operating procedures. My question to you is
24 why do you want to reward dangerous operations that put
25 people's health in danger? Why give any rate increase

1 before improvements are made? When we're -- when will
2 customers come before business, before a business's
3 dangerous business owners and profits? After all, Cedar
4 Acres did -- after all, if Cedar Acres did billing
5 properly, they'd be turning off people that don't pay
6 the bill, which is a large reason why they're not making
7 a profit. They say it costs too much money to turn
8 people off. So I personally know three people that have
9 been receiving water free for over eight years. So if
10 they turned them off, they could erase a lot of their
11 loss because they would end up paying to have it turned
12 back on. If their staff was properly trained, answered
13 the telephone when customers called, handled billing
14 problems when they arrived -- I've been trying to get my
15 address changed for over five years. My bill goes to my
16 father in Leesburg. I don't know why my dad is getting
17 my bill, but I've got to get it from him in order to pay
18 it.

19 So in closing, I'm going to ask you why are
20 you so interested in allowing a company that is clearly
21 a present danger to the nearly 1,000 residents and
22 voters that live in Oakland Hills? Your actions on this
23 matter will be remembered at the polls on election day.
24 We need quality service. If they want to make a profit,
25 we're all for it. But, I mean, we have residents that

1 are getting sand in their tub, leaky meters. All of
2 this needs to be addressed.

3 **CHAIRMAN GRAHAM:** Sir, thank you very much.
4 Hold on a second. We have a question for you.

5 **MR. MANNING:** Go ahead.

6 **CHAIRMAN GRAHAM:** Commissioner Brown.

7 **COMMISSIONER BROWN:** Thank you. That petition
8 that you have, what is that petition? What does it
9 contain?

10 **MR. MANNING:** It's basically disputing the
11 rate increase. It's basically disputing the rate
12 increase. And there's a little bit of reasoning in it;
13 there's a paragraph up on top of it.

14 **COMMISSIONER BROWN:** Can you read it out loud
15 for us?

16 **MR. MANNING:** Sure. "Cedar Acres is
17 requesting a rate increase in order to recover the cost
18 of operating the utility and allowing the company to
19 earn a fair rate of return on its investment. This is
20 the company's first rate increase since coming under PSC
21 jurisdiction in 2009. The current base rate billed
22 [sic] \$4.86 per 1,000 gallons. The average monthly
23 water bill for residents using 3,000 gallons is \$9.14,
24 with a proposed increase to \$27.25, that would be
25 298.14 percent increase and 2.98 times current monthly

1 bill; 5,000 gallons is \$9.23, with a proposed rate
2 increase of \$36.61, that would be a \$396 --
3 396.64 percent increase and 3.97 times current bill;
4 10,000 gallons is \$9.45, with a proposed increase to
5 \$60.01, that would be an increase of 635.3 percent
6 increase, 6.35 times current monthly bill. We
7 understand that there needs to be a rate increase;
8 however, we are a small community of elderly and
9 disabled residents on limited incomes and young families
10 that are trying to establish themselves. Neither
11 population can withstand such drastic amounts. The
12 effects of such profound increases would financially
13 paralyze and ultimately destroy established residents in
14 Oakland Hills. We, the undersigned, are concerned
15 citizens and residents of Oakland Hills, who urge the
16 Commissioners of the Florida Public Service Commission
17 to act now to limit the proposed rate increases not to
18 exceed any comparable rates on the same usage from a
19 sample of similar service providers in our surrounding
20 area of Citrus, Hernando, Lake, Marion, or Sumter
21 Counties."

22 **COMMISSIONER BROWN:** Thank you for reading
23 that, and thank you, Mr. Chairman. If I could ask him
24 one more question.

25 **CHAIRMAN GRAHAM:** Sure. Sure.

1 **COMMISSIONER BROWN:** Just -- you spoke about
2 the lack of proper notification for boil water notices.

3 **MR. MANNING:** Correct.

4 **COMMISSIONER BROWN:** Okay. And you cited one
5 incident. And how long have you been a resident of the
6 community?

7 **MR. MANNING:** I was a resident since 1996. I
8 did move out for approximately five years and then moved
9 back in.

10 **COMMISSIONER BROWN:** How many boil water
11 notices have you received since you have resided there?

12 **MR. MANNING:** I personally have received zero.
13 We get a sign put out in front of the community, and if
14 you read the sign, it's about that big, and it gets
15 posted on a fence.

16 **COMMISSIONER BROWN:** How many times has there
17 been a sign?

18 **MR. MANNING:** I couldn't tell you.

19 **COMMISSIONER BROWN:** Several?

20 **MR. MANNING:** I couldn't tell you how many --
21 more, more than ten, but I don't know. For me to tell
22 you how many -- I mean, there's also the period of five
23 years that I wasn't there.

24 **COMMISSIONER BROWN:** Okay.

25 **MR. MANNING:** But I couldn't answer that

1 without --

2 **COMMISSIONER BROWN:** Thank you. I'm just
3 trying to get a gauge on that. Are there any other
4 issues you've noticed when communicating with staff?
5 You said that your mail gets sent to your father's
6 house.

7 **MR. MANNING:** Correct.

8 **COMMISSIONER BROWN:** And you've tried to
9 correct that and --

10 **MR. MANNING:** Correct. We've called the
11 office to get it corrected. We've also been writing it
12 on the bill itself.

13 **COMMISSIONER BROWN:** Do you get a live person?

14 **MR. MANNING:** No.

15 **COMMISSIONER BROWN:** Okay. Thank you.

16 **MR. MANNING:** I don't think we've gotten a
17 live person -- maybe one time.

18 **COMMISSIONER BROWN:** Appreciate it. Thank
19 you.

20 **MR. MANNING:** Thank you.

21 **CHAIRMAN GRAHAM:** We have one other
22 Commissioner. Commissioner Brisé.

23 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.
24 Thank you for your testimony this morning.
25 You mentioned 114 individuals signed those petitions.

1 **MR. MANNING:** Uh-huh.

2 **COMMISSIONER BRISÉ:** And you mentioned there's
3 about 300 homes.

4 **MR. MANNING:** Correct.

5 **COMMISSIONER BRISÉ:** So are those individual
6 homes or you have multiple people from the same house
7 who are signing the petition?

8 **MR. MANNING:** Okay. I was not the only one
9 collecting signatures; however, I would -- it was a
10 combination. There are some that were individual for
11 the home and some where there was two signatures for the
12 homes.

13 **COMMISSIONER BRISÉ:** Following up on a
14 question that Commissioner Brown asked, within the last
15 year how many boil notices have you gotten or have you
16 seen the little --

17 **MR. MANNING:** I think -- I believe two or
18 three. I'm not -- I'm not -- I can't give an exact
19 answer because, you know, I'm in and out a lot. I own a
20 business, and I know in order -- like I said, the
21 quality of service, if you don't give it, you don't stay
22 in business. I'm in and out. I'm not always looking
23 for the sign.

24 **COMMISSIONER BRISÉ:** Sure.

25 **MR. MANNING:** That's the best answer I can

1 give you because, you know, I just don't always look for
2 it.

3 **COMMISSIONER BRISÉ:** Okay. I appreciate that.

4 When you reach out to the company, whether you
5 find a live person, but you also mentioned that more
6 often than not you don't find a live person, does
7 someone call you back? How long does it take for them
8 to call you back and so forth?

9 **MR. MANNING:** I don't get call backs.

10 **COMMISSIONER BRISÉ:** You don't get calls back.
11 Okay.

12 **MR. MANNING:** It's like you're leaving a
13 message to nothing.

14 **COMMISSIONER BRISÉ:** Okay. Thank you very
15 much.

16 **CHAIRMAN GRAHAM:** Thank you, sir. Thank you
17 for your testimony.

18 **MR. BOURASSA:** Yes, good morning. My first
19 name is Milton, last name Bourassa. It's spelled
20 B-O-U-R-A-S-S-A. And I live in Oakland Hills, and my
21 mailing address is 7991 County Road 109, Lady Lake,
22 Florida.

23 What I'm here today is to discuss our water
24 meters. As you may know, these meters are 21 years old
25 and are not accurate. To get ready for today, I called

1 Tricia Merchant because I had gone over some of my bills
2 and they were drastically high, I feel. So she asked me
3 to go out and check the meter, and with no demand in the
4 house, the meter shows zero usage. And I checked it
5 Friday twice, Saturday twice, and Sunday twice. Zero
6 leakage, so my problem is in the meter.

7 Now I -- it's only my wife and I in the house,
8 two people. We take our normal showers, washing of the
9 clothes. We do not have a lawn, a sprinkler system. We
10 do have a very small swimming pool that's 3,300 gallons,
11 so you can see it's very small. And with all the rain
12 we've had, we haven't needed to fill the pool or top off
13 the pool.

14 So what I'd like to do is to read ten meter
15 readings that we have received from Cedar Acres. On
16 June 26th the usage was 27,420; in April, this is '15
17 now, 7,430, a big difference; on March 1st, 2015, 8,200;
18 on January 15th, 11,230. There's one here that's going
19 to knock your socks off. On November 1st, 2014, 16,030;
20 on August 29th, 2014, 17,270; on June 28th, 2014, I see
21 27,020 gallons; on April 14th, 19,050 gallons; and
22 here's the one, on February 4th, 2014, 208,680 gallons.
23 It's impossible. It's impossible. And I don't have a
24 water leak.

25 Now just imagine multiplying 2,000 --

1 208,680 gallons times whatever the Commission has
2 approved, say, per 1,000 gallons. And I think you have
3 approved -- I'm thinking about a figure of four dollars
4 and sixty some odd cents. That water bill that I would
5 have received would have been close to a thousand
6 dollars -- like a thousand dollars. It's impossible.
7 First of all, I couldn't afford it.

8 So what I would like to do right now is to
9 make an official request from Cedar Acres that my water
10 meter be replaced before the billing of the new rate,
11 and I would like to get a yes or no from somebody.

12 **CHAIRMAN GRAHAM:** Well, I don't think you'll
13 get a yes or no. We'll make sure that that's part of
14 the record.

15 **MR. BOURASSA:** Because that is -- I also have
16 my neighbor. Her name is --

17 **CHAIRMAN GRAHAM:** Sir, you're well past your
18 three minutes.

19 **MR. BOURASSA:** I'm sorry.

20 **CHAIRMAN GRAHAM:** That's all right.

21 **MR. BOURASSA:** I was just getting started too.
22 Thank you.

23 **CHAIRMAN GRAHAM:** Wait a minute, sir. We have
24 a question for you.

25 Commissioner Brisé.

1 **COMMISSIONER BRISÉ:** So you mentioned that in
2 February 4th the -- your meter reading was 208,680
3 gallons. What did the company do about it?

4 **MR. BOURASSA:** Oh, at that time they didn't
5 have to do anything because we wasn't getting charged
6 per gallons used.

7 **COMMISSIONER BRISÉ:** Uh-huh.

8 **MR. BOURASSA:** We were just getting a flat
9 rate of \$19 or whatever it was, so they didn't have to
10 do anything. And actually at the time I didn't even
11 know I had this usage because at that time we didn't --
12 we didn't have to look at usage. Now we will.

13 **COMMISSIONER BRISÉ:** Have you reached out to
14 them to come take a look at your meter? What was the
15 response, if any?

16 **MR. BOURASSA:** No, I have not.

17 **COMMISSIONER BRISÉ:** Okay. You have not.
18 Okay. Thank you.

19 **CHAIRMAN GRAHAM:** Sir, thank you very much.

20 Is there anybody else?

21 **MS. BOURASSA:** Good morning. My name is Beth
22 Bourassa. I also live at 7991 County Road 109 in
23 Oakland Hills. I'm currently the president of the
24 Oakland Hills Homeowners Association. And as everyone
25 has said, we are a small community of approximately 319

1 homes. And as we've stated, about two-thirds of the
2 population is retired people who are on fixed incomes
3 and then one-third of working families, so I think it
4 would be very difficult for any of them to absorb a real
5 high rate.

6 We all realize, as we've said, that Cedar
7 Acres is entitled to a rate change after all these
8 years, but we would like to make it clear that there is
9 very little communication between Cedar Acres, Universal
10 Waters, and the residents of Oakland Hills.

11 We would like -- we would hope that in the
12 future if the rate is increased, that we will be able to
13 expect Cedar Acres to be in touch with us and to have it
14 run like a real business.

15 Let me just check my notes here. As you have
16 been told by the previous people, we've had many
17 problems if there was a breakdown. We had the boil
18 water back in July, and the system went down because
19 they hadn't paid their electric bill. That's what we
20 were told. And then, of course, it was some time before
21 the -- well, the generator did come on, but I understand
22 that it soon ran out of fuel. So our situation was bad
23 for a couple of days.

24 So -- and the boil water, we -- each month
25 we've been asked for our telephone numbers on our bills,

1 and we've all supplied it. And we thought that what
2 they were putting in place was a list to call us to let
3 us know if there was a boil water or any other problem,
4 and we found out that no such list exists. So we would
5 just ask that, you know, they step up to the plate and
6 start conducting their business as a business. Thank
7 you.

8 **CHAIRMAN GRAHAM:** Thank you, ma'am. Thank you
9 for your testimony.

10 **MS. LUTY:** My name is Donna Luty. I'm
11 currently the first vice president of the homeowners
12 association, but I am a past president as well.

13 This is very serious stuff because water is
14 one of our most precious commodities. I lived in New
15 Mexico for a while, and that's part of the reason I'm
16 keenly aware of this.

17 I kind of had the antithesis to what Milton
18 showed you. In fact, I'd like to pass -- bring it up
19 for you to see. This is my last water bill, and it
20 shows usage of zero.

21 My husband and I went out and looked at our
22 water meter yesterday morning -- and that bill goes
23 through August 28th, so we're talking six or seven weeks
24 since that bill ended. What it shows now is usage of
25 18,300 gallons since that bill came out. This is just

1 another example of how messed up the meters are.

2 Now the Commission, Public Service Commission
3 has said there has been no rate increase, but years ago
4 we started -- there has been no water, per se, rate
5 increase, but years ago we started paying \$8 -- \$9 a
6 month, \$18 bi-monthly for meters.

7 Well, at least three years I have currently
8 paid \$324, and that is more than enough, according to
9 the staff, that is more than enough to cover the cost of
10 a new meter. I want my new meter. I'm going to need my
11 new meter under the circumstances.

12 What Beth was saying about the -- them asking
13 for the phone numbers. They were supposed to set up a
14 911 reverse system. That's been going on for years. It
15 was years ago when I was the president of the homeowners
16 association that he said he wanted to do that. So I
17 faithfully put my number on my bill and my mother's
18 number, my 91-year-old mother who is here today, on her
19 bill, and years we've been doing that and it has never
20 happened.

21 So we have absentee landlords in Oakland
22 Hills. They do not take care of the water. They do not
23 take care of the covenants and restrictions that they
24 came up with years ago, so.

25 **CHAIRMAN GRAHAM:** Ma'am, thank you very much

1 for your testimony. We appreciate your time coming up
2 here.

3 Are there -- is there anybody else that wishes
4 to speak while you're here?

5 Okay. OPC.

6 **MR. TRUITT:** Thank you, Mr. Chairman,
7 Commissioners.

8 Again, we all know this is a troubled utility
9 and we understand that a rate increase is warranted
10 given the number of years without one. However, many of
11 the problems of the utility cause us great concern. Now
12 I've given a handout to staff, and I believe the
13 Commissioners have it in front of you. Okay. That has
14 our main issues and recommended solutions.

15 I'd like to briefly talk about the issues and
16 solutions on page 1 and 2, and then Ms. Merchant is
17 going to discuss the technical issues that are presented
18 on page 3.

19 One of our main concerns is the multitude of
20 problems leading to staff's recommendation regarding the
21 unsatisfactory quality of service obviously. And as
22 we've heard from the customers, the issue is some of
23 this trickles out into other issues, but I have it
24 listed under Issue 1 because it all comes back to this
25 unsatisfactory problem.

1 We have, as staff mentioned, there's
2 repetitive noncompliance with DEP requirements, and
3 those requirements, we all know, are specifically
4 intended to protect the health, safety, and welfare of
5 the citizens of the state, so that obviously gives us
6 great concern. We have problems with violations of PSC
7 rules also by violating DEP rules. Again, it's safety
8 and health and welfare concerns that we have. They have
9 problems with maintenance, billing, recordkeeping,
10 filing annual reports. They can't even perform simple
11 tasks to ensure the customers receive their water such
12 as paying an electric bill or putting gas in a
13 generator. They're failing to meet basic boil water
14 notice requirements, which again endangers the public
15 health. And the repetitive billing issues give us great
16 concern, especially with this new rate increase. We've
17 heard a zero customer and then another customer who was
18 billed for the equivalent of 11 swimming pools in two
19 months. So with a rate increase without the meters
20 being fixed, that gives us grave concern.

21 Now given all of those, we -- in terms of our
22 recommendation, we see that staff recommended docking
23 the president's salary by \$1,036, but we would also
24 recommend that the manager's salary should be reduced by
25 10 percent, which winds up being \$3,894, because as

1 staff noted in Issue 6 specifically, the finance manager
2 is responsible for regulatory compliance, bookkeeping,
3 and responding to customer inquiries. All of these we
4 see as directly leading to the problem of unsatisfactory
5 service for these captive customers.

6 Also we see under the operating ratio funds
7 that are discussed in Issue 7, we understand obviously
8 that they're to ensure funds are available to cover
9 variability in operating expenses, and we understand why
10 staff chose that method. Staff cites an older
11 Commission order, PSC-96-0357, to outline the purpose of
12 those funds.

13 If you look in that order on page 7, it also
14 states that escrowing of operating ratio of funds is
15 appropriate when there's a system in decline, and it's
16 to ensure that the funds are needed to restore the
17 system. So as part of our recommendation, we would say
18 that although there's escrow for the water meters, we
19 would ask they escrow the operating ratio funds as well
20 to ensure that it is solely available for the
21 variability and operation and maintenance of this poor
22 system.

23 We would also ask that given this utility's
24 history of failing to respond and be in compliance that
25 the Commission require the utility to file a compliance

1 report with this Commission no sooner than six months
2 after the order comes out that could outline corrective
3 measures taken to fix billing issues, provide a billing
4 analysis under the new rates to show how that's working,
5 to ensure compliance with DEP and PSC regulations, and
6 any measures the utility's taken to address customer
7 concerns and complaints.

8 Now we recognize that obviously the utility
9 always has a duty to follow the Commission's orders.
10 But given this utility's history, we would request that
11 another onus put on them to affirmatively come back to
12 show this Commission that they're doing the right thing,
13 and that in that report, if it shows that they failed to
14 correct these numerous deficiencies, then at that time a
15 show cause proceeding may be warranted.

16 You'll see on page 2 of my handout is merely
17 Issue 18 with a docket closure. If the Commission
18 chooses to escrow the operating ratio funds as well as
19 require a compliance report, that would also need to be
20 added to the reasons the docket are left open. I thank
21 you for the time, and Ms. Merchant has a few technical
22 issues that are on page 3.

23 **MS. MERCHANT:** Good morning, Commissioners.
24 Issue 9 is the area that I want to address. It's on the
25 third page of the handout that we gave you, my major

1 points, and this deals with the rate structure.

2 In calculating the corresponding rates, staff
3 is recommending a single tier rate with a rate increase
4 of about 225 percent. They've also used a 29 percent
5 repression adjustment. OPC has several concerns with
6 this level of repression adjustment and several other
7 concerns with the rates themselves.

8 First, staff is recommending monthly rates
9 with a provision that the utility can continue to bill
10 the customers on a bi-monthly basis. We believe that
11 this is fundamentally improper because it will allow the
12 company to bill differently from its approved tariff.
13 OPC understands that monthly billing will increase
14 costs, but we agree at this time that staff's
15 recommended bi-monthly rate should be approved, but we
16 believe that the tariff should be changed to reflect
17 that so that the utility can be in compliance with their
18 tariff.

19 The second issue that I want to bring up is
20 noted in Issues 5 and 6. The utility has numerous
21 nonworking and slow-running meters. The company's
22 billing records -- I know you've already heard this
23 today, but they're so unreliable that staff could not
24 use the billing analysis to set rates. And as you've
25 heard, the customers are still having -- today they're

1 still having billing issues with their meters.

2 Based on my review of the test year data, only
3 5 percent of the bills reflected very high consumption,
4 which very likely could have been meter reading errors.
5 The financial manager's reported duties include
6 coordinating the meter reading and billing functions
7 with the third-party billing company; however, based on
8 the above errors, it appears that little or no attention
9 has been paid to analyzing the billing records as part
10 of her job.

11 While the meter reading and billing accuracy
12 are required by the Commission's rules, OPC and the
13 customers are concerned that the utility will implement
14 the rate increase and not improve its billing or
15 other -- and not -- and the company will not improve its
16 billing or other service quality issues. Given the
17 large number of problems with billing, OPC recommends
18 that the Commission place the company on notice that it
19 should comply with all Commission statutes and rules,
20 notwithstanding those regarding measurement of service,
21 meter reading, meter accuracy, customer billing, and
22 correction of errors.

23 And we're really concerned when this first
24 rate increase kicks in is that there's going to be a
25 firestorm of errors and people are going to just

1 inundate the company, and we're worried what's going to
2 happen at that point, how the company is going to
3 respond to that.

4 Our third concern relates to the repression
5 adjustment and the staff formula used to estimate how
6 much customers will reduce their consumption after the
7 rate increase. In my analysis, I found an error in the
8 formula that calculated staff's repression adjustment.
9 When I corrected the formula, the repression calculated
10 created a nonsensical result. It completely -- way out
11 in the ballpark. It just didn't even make any sense.
12 And that was using staff's 40 percent price elasticity
13 factor. And I think that that was caused by the real
14 extreme increase in rates from zero -- almost
15 zero consumption factor to, you know, a regular type of
16 bill with measured consumption.

17 After I adjust the elasticity factor to
18 9 percent, the formula generated reasonable rates with a
19 repression level of about 21 percent. And OPC agrees
20 with staff that there will be significant repression
21 when the new rates go into effect, but we don't believe
22 that it'll be as high as 29 percent. And we believe
23 that there's several factors that show a downward
24 adjustment in repression is warranted. When rates are
25 set with such a high revenue increase, the Commission

1 generally approves a two-tiered rate structure. This
2 type of rate structure recognizes that customers with
3 less than 3,000 to 4,000 gallons of consumption will
4 repress very little, if any; therefore, the
5 repression -- oppression -- sorry -- the repression
6 adjustment is only applied to the higher tiers. For
7 Cedar Acres, approximately 69 percent of the customer
8 bills are less than 4,000 gallons consumption.

9 OPC agrees that a two-tiered rate structure
10 right now is not the best step to implement because the
11 utility has a lot of other problems that they have to
12 correct; however, we believe the Commission should
13 consider the likelihood that customers using less than
14 4,000 gallons a month will repress very little, and also
15 consider the impact of the billing errors on the
16 company's reported consumption. We further believe that
17 using a bi-monthly rate structure will modify customer
18 consumption differently than a monthly rate structure.
19 Pricing signals will provide less frequent signals to
20 the customers to adjust their usage.

21 OPC would point out that in staff's
22 preliminary report that was issued earlier this year,
23 the revenue increase was slightly higher, but the
24 repression adjustment was only 23 percent. Based on
25 these factors, OPC believes that reducing the repression

1 level to an overall 21 percent is appropriate. Using a
2 lower regression level will also provide an incentive to
3 the company to correct its billing problems and replace
4 its poor performing meters. Ultimately the burden
5 should be on the company to fix its billing and service
6 problems, and the sooner the utility corrects these
7 problems, it's very likely that they will see an
8 increase in their revenues, and that's certainly within
9 their control. Thank you so much.

10 **CHAIRMAN GRAHAM:** Thank you, Mr. Truitt and
11 Ms. Merchant.

12 Commissioners, I guess the question is how do
13 we want to start slicing this up? And I guess the
14 easiest thing to do is to start with Issue No. 1, which
15 is probably one of the big ones dealing with quality of
16 service, and we'll go from there. So questions or
17 concerns about Issue No. 1. Commissioner Brown.

18 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.
19 And I agree with your approach starting with Issue 1.

20 I would like to see first, though, if staff
21 wants to respond to some of the comments made by the
22 Office of Public Counsel, if that's okay with you.

23 **MS. GALLOWAY:** Commissioner, we appreciate the
24 Office of Public Counsel's concerns. We have some of
25 the same concerns. And we agree with the customers and

1 OPC that there's much room for improvement regarding the
2 management of this utility.

3 As far as the meters go, we do believe that
4 the meter replacement program that we put in place will
5 alleviate a lot of the problems that the customers are
6 experiencing right now.

7 **COMMISSIONER BROWN:** I don't know if I
8 misheard when we had a speaker earlier say that they
9 were collecting money already for meter replacements.
10 Did any --

11 **MS. GALLOWAY:** That's -- we've never -- we
12 haven't heard that before. So that's -- if that is
13 going on, that's the first that we've heard of it.

14 **COMMISSIONER BROWN:** And Public Counsel?

15 **MS. MERCHANT:** I presume that she's talking
16 about the base facility charge because she was talking
17 about \$9, but she and I have not talked about that
18 today -- or in our past conversations.

19 **MS. THOMPSON:** I would agree with that. I
20 think it's the base facility charge.

21 **COMMISSIONER BROWN:** Okay. Can you directly
22 address Public Counsel's repression concern, the
23 repression adjustment concerns?

24 **MR. SHAFER:** Greg Shafer with Commission
25 staff. Given the range of problems with the meters and

1 the lack of really reliable data --

2 **CHAIRMAN GRAHAM:** Pull that mike up a little
3 bit.

4 **MR. SHAFER:** -- on the billing issues, I
5 understand where they're coming from. And the
6 suggestion of a 21 percent repression number -- we had
7 spoken with Ms. Merchant about the repression issue, and
8 she at that time had suggested 15. So I don't really
9 have a good feel for what the 21 is going to generate in
10 terms of rates.

11 What I might suggest is that we, in
12 conjunction with what they've already asked for in terms
13 of reporting requirements, that the Commission go with
14 what staff has recommended but with the idea that we get
15 some actual data from the utility, and 12 months from
16 now we take a look at that data and make sure that if
17 there -- that it is in line with the staff
18 recommendation. And if it's not, if it's significantly
19 outside that range that we had projected, that we would
20 come back and make an adjustment to the rates to reflect
21 whatever that data gives us.

22 And I would have a concern about six months
23 because the customers referred to some of the
24 seasonality issues in their area with folks being only
25 part-time residents, so a full year's worth of data

1 would be more appropriate in that case. But clearly
2 given the issues with the meters and what appears to be
3 some erratic billing practices, that the data is not
4 real firm that we've had to work with, and so it's
5 worth, you know, looking at it in a little more detail
6 going forward.

7 **COMMISSIONER BROWN:** Mr. Chairman.

8 **CHAIRMAN GRAHAM:** Sure.

9 **COMMISSIONER BROWN:** Thank you. And if I may
10 just follow up not on the repression but on some of
11 Public Counsel's comments as they relate to Issue 1 and
12 staff's recommendation regarding unsatisfactory quality
13 of service. Clearly we heard a lot of testimony here
14 that supports that recommendation and elaborates even
15 more on the practices that are in place right now, and
16 we don't even have a representative here today, it
17 appears, from the utility, further indicating their lack
18 of connection with their customers. So given all that,
19 and looking at the Public Counsel's additional
20 recommendations under Issue 1, which I think are -- I
21 think they're very good suggestions, and I think that
22 some of them would incentivize the utility more than
23 reducing the president's salary, who doesn't even
24 receive a salary now -- but reducing his salary, I think
25 that doesn't provide any incentive to this utility to

1 get in compliance and to get their quality of service to
2 where it needs to be for these customers. So I was
3 hoping that the Commissioners would be inclined to
4 doing -- providing some -- if we found this
5 recommendation to be unsatisfactory, to do something a
6 little bit more bold and to incentivize the utility to
7 get in compliance. And I think these suggestions are
8 good, but I'm interested in hearing your -- staff's take
9 on it.

10 **MR. FLETCHER:** If I may, on the reduction of
11 the manager's, finance manager's salary, that is within
12 the Commission's discretion. There, in the past, has
13 been with the president and vice president -- and there
14 are only two executive employees here, the finance
15 manager and the president. In staff's recommendation
16 now, it was only for the president, but it's clearly
17 within the Commission's discretion for that 10 percent
18 reduction of the finance manager, equating to about a
19 \$3,900 reduction.

20 Just to touch on the escrow, escrowing the
21 operating margin, the only concern staff would have
22 there is we're already escrowing for the meter
23 replacement, which is about \$5,600. We would have a
24 concern escrowing any more because of the need to have
25 available funds in order to pay for expenses and to keep

1 the company in a position to pay for those fixed costs
2 that are going to be coming. Particularly of concern
3 with the operating margin is with the debt service,
4 covering that with \$232,000 in related-party debt to
5 recover that, it's only about \$450 less than the entire
6 10 percent plus the depreciation expense that's in
7 staff's recommendation. So we would agree with the
8 reductions, but no additional funds to be escrowed as
9 they are needed for the utility in order to operate and
10 pay the fixed costs.

11 **COMMISSIONER BROWN:** And then the final
12 recommendation is the compliance report, and they're
13 already not doing that. They're already not providing
14 their annual reports, so I think this would be a good
15 suggestion to keep on track.

16 **MR. FLETCHER:** That is correct, that they were
17 late, delinquent on several annual reports in the past.
18 The Commission did waive those delinquent penalties
19 related to those delinquent annual reports and asked the
20 company to come back in, which they did, in this SARC.

21 But, yes, I don't want to speak for
22 engineering, but for the meter and the regular, reading
23 the meters in regular intervals like our rules require,
24 I believe that would be good to have that compliance and
25 that monitoring, given the fact that there's been

1 lacking in compliance with the meter rules, and in
2 regular intervals as far as checking them and making
3 sure they need to be replaced, et cetera.

4 **CHAIRMAN GRAHAM:** Sure.

5 **COMMISSIONER BROWN:** I'm almost prepared to
6 make a motion on this, but I just want to find out a few
7 more questions first before doing that.

8 Do we know the name of the finance manager?

9 **MS. GALLOWAY:** Yes, Commissioner. It's Stacy
10 Smith.

11 **COMMISSIONER BROWN:** Oh, the wife. Is that
12 the wife?

13 **MS. GALLOWAY:** Yes.

14 **COMMISSIONER BROWN:** And she's also a board
15 member too; right?

16 **MS. GALLOWAY:** Yes.

17 **COMMISSIONER BROWN:** So let's go to these
18 minutes, the board minutes. They've had one -- they've
19 only provided the Commission with board minutes for one
20 meeting; is that correct?

21 **MS. GALLOWAY:** That is correct.

22 **COMMISSIONER BROWN:** For the year 2013?

23 **MS. GALLOWAY:** Yes.

24 **COMMISSIONER BROWN:** But they've been paying
25 themselves \$1,300 annually?

1 **MS. GALLOWAY:** \$450 each --

2 **COMMISSIONER BROWN:** Each.

3 **MS. GALLOWAY:** -- for the three directors.

4 **COMMISSIONER BROWN:** What do they do on this
5 small company? I've read the minutes and it's only one
6 minutes we've received. What -- they meet one time a
7 year, and they're all family members?

8 **MS. GALLOWAY:** They are all family members,
9 Commissioner. And they do meet, according to data
10 responses, they do meet once a year. I'm sure it's long
11 range planning is what their purpose is.

12 **COMMISSIONER BROWN:** Spaghetti dinner.

13 **MS. GALLOWAY:** In addition to that, there are
14 six other owners or investors in this utility, one being
15 a charitable foundation. So I know the board of
16 directors answers to those investors.

17 **COMMISSIONER BROWN:** But this is small --

18 **MS. GALLOWAY:** It is.

19 **COMMISSIONER BROWN:** -- a small mom and pop
20 company with a board of family members that get paid.

21 **MS. GALLOWAY:** That's correct.

22 **COMMISSIONER BROWN:** And she also gets, Stacy
23 also gets paid as a finance -- the finance manager.

24 **MS. GALLOWAY:** That's correct. We -- our
25 rationale was that as finance manager, it's more of a

1 day-to-day job for the utility.

2 **COMMISSIONER BROWN:** You don't think there's
3 some double dipping here with these members?

4 **MS. GALLOWAY:** We believe that there's a
5 separation between the two.

6 **COMMISSIONER BROWN:** That's all I have.

7 **CHAIRMAN GRAHAM:** Commissioner Brisé.

8 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.
9 Just a quick question about the meter
10 replacement program. How long would it take to replace
11 the meters, and how long would that program be in place
12 and so forth?

13 **MR. FLETCHER:** It's a ten-year program,
14 Commissioner. The customer base, about 320 customers,
15 32 meters a year. And how we have it set up to make
16 sure that it's being done is to escrow those funds on a
17 bi-monthly billing basis. About \$960 would be put into
18 an escrow account, and then as the utility performs a
19 meter installation, they provide an invoice to staff.
20 We'll have a memo to the docket file to direct the
21 Commission Clerk or the designee to release the funds
22 for -- as the meters get installed.

23 **COMMISSIONER BRISÉ:** Okay. So part of my --
24 part of my concern -- and I recognize that that needs to
25 be done. Part of my concern is the fact that we have

1 all these billing issues, and so if you -- once we begin
2 this program or we allow for the program to be in place,
3 you'll have some customers who are getting billed
4 properly, some others that are not being billed
5 properly, and you're going to have a whole bunch of
6 other issues if there isn't some kind of way to make
7 sure that management is doing their job the way it's
8 supposed to be done.

9 In your interaction with the company, have
10 they recognized that they internally have to make
11 certain management changes in order to move forward?

12 **MS. GALLOWAY:** Commissioner, I do believe that
13 they have -- that they realize that they've got to do a
14 better job. And regarding the meter replacement, they
15 said in data responses that there were 28, I believe.
16 The number changed a little bit from time to time, but
17 around 28.

18 **COMMISSIONER BRISÉ:** Let -- you said the
19 number changed. Did the number change because they
20 didn't know before or did the number change simply
21 because they don't have interaction with the customers?
22 I mean --

23 **MS. GALLOWAY:** Well, from what I recall, it
24 changed from 28 to 32 immediate -- meters that needed
25 immediate replacement that were not functioning.

1 Ms. Mtenga, our engineer, had conversations
2 with the utility, and she may be able to provide a
3 little more insight.

4 **COMMISSIONER BRISÉ:** Okay. Thank you.

5 **MS. MTENGA:** The meters -- when I spoke to
6 David Simons, the owner of the utility, he indicated
7 there were about 28 that needed replacement. But as
8 time went on, they had Artesian Water go out there and
9 they discovered about 77 that needed replacement.
10 Meters in Florida, with the rules that we have, they
11 have to -- they depreciate after 17 years, and so most
12 of the meters there were put in place in 1986, which has
13 been 29 years. And so almost all the -- all the meters
14 need to be replaced anyways, which is why we did the
15 meter replacement program at 32 per year so they can be
16 replaced at the end of a ten-year period. So all the
17 meters will be replaced by then.

18 **COMMISSIONER BRISÉ:** So that brings me to
19 another question. So we went from 28 to 32 to, now to
20 77. How many of those 77 are functioning properly right
21 now? So -- because apparently the 32 were identified as
22 not functioning properly, whether -- I mean, you go
23 through the recalibration, all that stuff, and it still
24 doesn't work. So the balance thereof, are we -- is the
25 need to replace them simply because they have reached

1 their shelf life or is it that they are nonfunctional?

2 **MS. MTEGA:** Beyond -- the 77 need to be
3 replaced almost immediately, yes.

4 **COMMISSIONER BRISÉ:** Thank you.

5 **CHAIRMAN GRAHAM:** Commissioner Edgar.

6 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
7 Can I just ask everybody in this room that's a
8 member of the PSC staff to raise their hand?

9 (PSC staff raising their hands.)

10 Thank you. I also am concerned about the
11 billing issues, and I'm a little unclear as to if this
12 has -- if this has been an ongoing issue and it is being
13 handled by a third-party contractor, what activity, if
14 any, has been taken by the management of the utility
15 with the contractor, who is, I believe, being paid to
16 perform that function?

17 **MS. GALLOWAY:** Commissioner, the billing
18 issues are definitely a concern to us. The
19 communication between the utility management and the
20 billing people, I would believe that that is -- they're
21 in constant communication. The utility has given us
22 indication that they are in constant communication with
23 the billing contractor.

24 **COMMISSIONER EDGAR:** Is that communication
25 being at all productive? And I realize you may not be

1 the best person to answer that question. Perhaps it's a
2 somewhat rhetorical question. I'm not trying -- really
3 I'm trying to not be sarcastic. But what the
4 relationship is, recognizing that this company is a
5 small company with very few employees and, therefore, it
6 seems to be an appropriate decision to contract that
7 required work out, but yet if the cost of paying the
8 contractor is built into the rate increase, then there
9 should be some quality of performance, et cetera.

10 And I guess -- and I need to -- I'm going to
11 need to think about this for a few more minutes at some
12 point before I'm ready to move forward, if I may ask for
13 that time.

14 But what is our authority? Do we have any
15 ability to address that issue more specifically since it
16 is somewhat of an arm's length business relation
17 separate from the company that we are directly
18 regulating? You can think on that for a few minutes. I
19 need to think on it as well.

20 But that's an issue, Commissioners, that I am
21 concerned about, and I'm not sure what the appropriate
22 action is. If OPC has any other thoughts or information
23 along those lines, I would certainly be interested in
24 that as well.

25 **CHAIRMAN GRAHAM:** Ms. Merchant.

1 **MS. MERCHANT:** I have, I don't know, I guess
2 it's a fear of what's going to happen in about four
3 months or maybe two months, and I really -- I mean, the
4 company is not going to have enough money to replace
5 32 meters, not to mention 77 meters that are failing,
6 but then they're going to implement this measured rate
7 coming in in two months or three months, whenever it is.
8 It's just going to be a firestorm, and I don't know what
9 the solution is. But if the customer wants to have
10 their meter tested, the company has to come in and test
11 the meter. They have to do a 5-gallon bucket test. Is
12 the company going to do that? You know, I -- it's just
13 a mess. And the company, they've had these rates for
14 quite some time. They've been under the Commission's
15 jurisdiction since 2008, and they haven't come in for a
16 rate increase. I doubt they've come in for an index or
17 pass-through. Part of the responsibility lies on them
18 for not -- if they had shareholders, which they do,
19 those people should have been saying, hey, get me --
20 we're losing money here, you know. But I don't think
21 there's anything -- it's just an absentee owner, and I'm
22 really afraid that if we give them the rate increase,
23 they're not going to do anything. You know, the
24 customers, I know, are going to call us. I mean,
25 they're going to call you guys too, so --

1 **COMMISSIONER EDGAR:** As they should.

2 **MS. MERCHANT:** Yes. I mean, and they should.
3 They should call the company first, and then call the
4 Commission if there's a complaint. But I just see a big
5 mess down the road.

6 **COMMISSIONER EDGAR:** Thank you. Again, I'm
7 not sure of the path forward. I'm still thinking it
8 through. I know our staff is continuing to think it
9 through as well.

10 I certainly recognize that the current rates
11 as is, you know, are relatively low for the work that
12 needs to be done, for the service that needs to be
13 provided, and probably comparably to other similarly
14 situated companies, and in order to do a good job, they
15 are, you know, able under statute to receive the money
16 that needs to be provided for the service that needs to
17 be provided. But the billing issues just has me --

18 **COMMISSIONER BRISÉ:** Perturbed.

19 **COMMISSIONER EDGAR:** -- perturbed, yes,
20 perturbed and concerned on a going-forward basis as to,
21 again, what we can do, if anything, to assure that money
22 that is being provided in order for customers to be
23 billed appropriately and accurately and responded to,
24 that the service provided does not seem to be meeting an
25 appropriate quality expectation.

1 **MS. HARVEY:** Commissioner, if I may, one
2 suggestion that I may have is to have our management
3 auditing staff go in and ensure that appropriate
4 internal controls are put in or established to ensure
5 that the billing is done accurately.

6 **COMMISSIONER EDGAR:** Could you say that one
7 more time?

8 **MS. HARVEY:** I would suggest having our
9 management audit staff go into the company and look not
10 just at the billing practices but some of the other
11 practices as well to ensure that appropriate management
12 controls are put in place so that they do have plans and
13 controls to ensure that they are properly managing the
14 company.

15 **COMMISSIONER EDGAR:** The contractor?

16 **MS. HARVEY:** The contractor is one part of it.

17 **COMMISSIONER EDGAR:** Right.

18 **MS. HARVEY:** But not only that, but, you know,
19 we've talked about several other issues that exist that
20 are problematic, and there needs to be an overall look
21 at the management of the company, the management of the
22 operations.

23 **COMMISSIONER EDGAR:** Okay. Thank you.

24 **CHAIRMAN GRAHAM:** So until some of these
25 nonfunctioning meters are replaced, I take it then those

1 customers will just be on a flat rate?

2 **MR. SHAFER:** I don't believe that would be our
3 recommendation. I understand there's some issues with
4 the meters, but -- and I suppose that's, that's an
5 option that we could look at. I don't have a number for
6 you for what that rate would be. But my inclination is
7 to say that you go forward with the rates as proposed
8 with some safeguards in place, and you may even want to
9 consider fast-forwarding the meter replacement program,
10 rather than ten years, something shorter than that.

11 I don't know that -- what impact that would
12 have on the revenue requirements, so I'm talking out of
13 school a little bit, but --

14 **CHAIRMAN GRAHAM:** Well, then I -- I guess help
15 me understand this. How do you bill somebody if you
16 have no idea how much water they're using?

17 **MR. SHAFER:** Yeah. I understand what you're
18 saying, and it's a -- it's having a good grip on the
19 magnitude of the problem. Because when we looked at
20 what was pumped versus what was billed, there was
21 obviously a discrepancy, but that discrepancy did not
22 rise to the level of excessive unaccounted for water.
23 So in my mind, that raises a question as to just exactly
24 how many meters are faulty. I wonder if it isn't maybe
25 more erratic billing practices or misread meters rather

1 than malfunctioning meters, and I don't have a good
2 answer for that.

3 **CHAIRMAN GRAHAM:** How do we get a good answer
4 for that?

5 **MR. SHAFER:** Again, I may be talking out of
6 school here, but, you know, Public Counsel has proposed
7 a, sort of a monitoring program that the utility be held
8 accountable to report back to the Commission in certain
9 areas in six months. As I sit here hearing all the
10 conversation, that begins to have some merit.

11 As far as, you know, the rate side of things,
12 when you have a customer base with seasonality, those
13 things need to be a full 12 months. But certainly there
14 are some things that we should look at in a shorter --
15 or can look at in a shorter period of time that would
16 give us an idea of whether the utility is taking
17 seriously its responsibility as a utility, and it seems
18 to sound like today that it hasn't been doing that very
19 well.

20 **CHAIRMAN GRAHAM:** Well, we're definitely in a
21 awkward situation right now. We need to do something
22 moving forward because, as everybody said here so far,
23 the utility is clearly underfunded, has not been
24 collecting the funds they probably should have been
25 collecting for several years. It seems -- well, you

1 can't bill somebody if you don't know what -- if you
2 don't know how much water they're using. So we're
3 talking about flat rates. I heard one of the customers
4 earlier saying that they're paying a flat \$19 a month
5 regardless of the usage that's been going in and out of
6 the house or impossibly going in and out of that house.

7 I think we need to take probably about a
8 ten-minute break here, do a little thinking, a little
9 brainstorming, you know, on what we need to do today and
10 what we probably need to do later on, maybe tomorrow or
11 next hearing or however we need to function that,
12 because I don't think we have enough pieces of the
13 puzzle in front of us right now to make some final
14 determinations.

15 So that clock back behind us, it's about
16 ten -- it's about five till, so at five after -- let's
17 make that ten after. At ten after let's just have some
18 ideas that we can probably bat around and kind of figure
19 out something from there. We're recessed for 15
20 minutes.

21 (Recess taken.)

22 **CHAIRMAN GRAHAM:** Okay. I think we're ready
23 to reconvene and hear what the staff has got to say as
24 far as what we should be doing today and what they
25 suggest that we do as we move forward.

1 **MR. FLETCHER:** Commissioners, if I may, staff
2 has come up with a proposal for your consideration that
3 would be revenue neutral. It wouldn't change the
4 revenue requirement, let me put it that way. Taking --
5 because of the lack or mismanagement and the lack of
6 attention to the meter replacement, the Commission could
7 take the funds for the remainder of the president,
8 3,100; the 10 percent reduction in the finance manager's
9 salary as recommended by OPC, which is about 3,900,
10 ballpark there; and the director's fees of 1,350. That
11 gives an additional \$8,350 that could be utilized for
12 basically a more aggressive meter replacement program.

13 And that way you don't change the revenue
14 requirement that's in staff's recommendation. The only
15 thing it would do is -- there's a slight reduction, so
16 we would be given administrative authority for the
17 revenue requirement because of the manager's fee,
18 it's -- the 10 percent operating margin, it would change
19 the revenue requirement slightly but immaterial.

20 But basically with that \$8,350, instead of 32
21 meters a year, you could go -- the meter replacement
22 program would look like more of 78 meters a year and it
23 would be -- reduce it from ten years down to four years.
24 And so that would affect the Issue 11 in the amount to
25 escrow, increasing that incrementally by 8,350. And

1 basically we would ask to have language in the order
2 that once all the meters are replaced, then staff would
3 bring back the appropriate disposition of the escrow
4 funds at that point, have language in the order to
5 address whatever is remaining in the escrow.

6 **CHAIRMAN GRAHAM:** What happens -- let's assume
7 we move forward with that suggestion. What happens
8 tomorrow to those 72 meters that we know today that do
9 not work?

10 **MR. FLETCHER:** I would have to defer to ECO as
11 far as any -- prior to them being in place, how that
12 would be addressed in the rate structure, in rates.

13 **MS. DANIEL:** Commissioners, I'm Patti Daniel
14 with the Commission staff. For the meters that are not
15 working, they are -- because they are mechanical meters,
16 don't typically run fast. So, if anything, the
17 customers would benefit by not being billed as much of a
18 gallonage charge as perhaps they should be billed based
19 on an accurate meter reading.

20 **CHAIRMAN GRAHAM:** But that gentleman that had
21 the meter that read 200,000?

22 **MS. DANIEL:** That's -- I've looked at the
23 billing data, and there are some bills in the billing
24 analysis that are extremely high, in that range. It is
25 not a lot of them. I found maybe six or so. I think

1 that if we have our management audit staff go in and do
2 an assessment of this utility, and also Public Counsel
3 has asked for some periodic reports, if we look at these
4 reports, I believe we can help the company, work with
5 them to help them do a better job of checking for
6 anomalies in billing and resolve that on a case-by-case
7 basis. I believe those anomalies are limited.

8 **CHAIRMAN GRAHAM:** But what happens tomorrow to
9 those anomalies?

10 **MS. DANIEL:** The company only bills every
11 other month. I suggest that we have our management
12 audit staff working with them as they go through the
13 next billing cycle to help them. If there is an
14 extraordinarily high bill like that over 100,000
15 gallons, that they look into it immediately.

16 **CHAIRMAN GRAHAM:** But -- I don't mean to be --
17 I feel like I'm drilling too hard, but what does that
18 mean? I mean, are they going to get a flat rate
19 because -- I mean, are we proposing a flat rate for
20 people that right now have no clue --

21 **MS. DANIEL:** Some of our utilities actually
22 have a billing system, an electronic billing system.
23 This would be just hands-on looking at it such that a
24 bill is flagged and reviewed before it goes out when it
25 has those extraordinarily high bills. So perhaps we

1 could do something like that.

2 **CHAIRMAN GRAHAM:** Are we proposing something
3 like that?

4 **MS. DANIEL:** We can, yes, sir. We do want to
5 have our management audit staff go in immediately, and
6 prior to these next bills going out, we could make sure
7 that we've had someone go in and work with the utility
8 to help them understand how to flag those
9 extraordinarily high bills so that they're reviewed
10 before they go out.

11 **CHAIRMAN GRAHAM:** I've got some Commissioners
12 chomping at the bit. Commissioner Brisé.

13 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.
14 And thank you, Mr. Fletcher and staff, for
15 coming up with a way to address some of the meter
16 issues. So the meter issue is one component of the
17 issue; right? I mean, to me the larger component of the
18 issue is still the billing and management issue. I
19 mean, you could change out all the meters, but if you
20 don't have a team in place that knows what to do with
21 what comes in the door, then you still have the same
22 issues, the customers have the same issues.

23 So what -- are you comfortable with the fact
24 that if the audits are in place, that that provides
25 enough friction, for lack of a better term, for the

1 management team to -- or the owners to put enough
2 pressure on the manager, right, or the contractor to
3 address that? And by the way, is the contractor a
4 relative as well?

5 **MS. DANIEL:** It is not. It's a third-party
6 biller.

7 **COMMISSIONER BRISÉ:** Okay. Just kind of
8 curiosity, you know. So do you think that that provides
9 enough pull or tug there so that those issues can be
10 addressed in a timely fashion, considering that you
11 have -- I mean, two months, I mean, you're out that much
12 time. Because what I'm concerned about is if we don't
13 have a flat rate, like Commissioner Graham is, it sounds
14 like he's suggesting, right, then you're going to have
15 customers with irregular bills, and now you have, you
16 know, a good amount of time there, and you have meters
17 that are coming inline that potentially are going to be
18 accurate, but you don't have a management team that can
19 handle the accuracy and potentially late bills and all
20 that kind of stuff that goes with that, so.

21 **MS. DANIEL:** I believe on the one extreme you
22 have the meters that are not functioning properly, and
23 the customer will not be disadvantaged if the meter does
24 not read accurately. On the other hand, you do have
25 some anomaly bills that I would like to see if our

1 management audit staff could go in and be available to
2 work with the utility. We even have our regular
3 auditing staff that does the billing analysis for us.
4 They certainly understand the billing process as well.
5 I believe we have Commission staff who could be
6 available to help work with the company. This is
7 certainly much more hands-on by staff than what we
8 normally do.

9 In terms of getting the owner's attention, one
10 of the things that we talked about among the staff is to
11 put something into this order that would be the
12 potential to bring them back at a later date for show
13 cause. That would certainly get their attention. We're
14 moving salaries into a meter replacement program. That
15 should get their attention. So we're trying to layer on
16 some things.

17 I like Public Counsel's idea of getting some
18 reports from the company. Given that they only bill
19 every other month, I think Public Counsel's -- require a
20 compliance report in no less than six months, that's
21 certainly viable. Having had staff there to work with
22 the company to help them address these high bills, these
23 anomalies, and then having the report come in within six
24 months -- one of Public Counsel's concerns is the level
25 of repression. I'm going to suggest to you that we

1 leave the repression and the resulting rate structure in
2 place until we have a chance to get some of these
3 reports and review whether the utility -- I'm sorry,
4 whether the customers are repressing at the level
5 anticipated by staff or something less.

6 Public Counsel actually made three comments
7 with respect to the rate issues. In the first one, it
8 has to do with changing the rates and tariff to
9 bi-monthly, and I think what they're concerned about is
10 that the customer notice and the bills and the tariff
11 all be clear that the rates that the Commission
12 ultimately approves, that the customers clearly
13 understand is the base facility charge, the \$11.92 that
14 staff recommended, helping them to understand that that
15 is a monthly amount. And we can certainly articulate
16 that in the customer notice and in the tariff as well,
17 that that is a monthly amount and that the customers
18 would be billed on a bi-monthly basis for that monthly
19 amount.

20 As I said, I do not recommend altering the
21 repression nor the rate structure at this time. We've
22 looked at the billing data, we've looked at other
23 similar-sized utilities and the percentage rate
24 increases and the repression that was included in those
25 recommendations, and these -- this is an inordinately

1 high percentage increase. Now if you look at the
2 dollars, we're going from a bill for 4,000 gallons from
3 \$9.18 per month, \$18 and some change on a bi-monthly
4 basis, to \$29 per month or \$60 on a bi-monthly basis.

5 OPC asked about the timely replacement of the
6 meters and so forth. This is, again, I'm looking at
7 their comments regarding Issue 9, and we certainly agree
8 with that.

9 And then their final had to do with the price
10 elasticity. I know that the regression adjustment is
11 one of the factors. The more gallons you have available
12 to spread those costs across, it drives the gallonage
13 charge down. And I'm just not sure that we have
14 sufficient data to approach what they're recommending.
15 The regression factor of 0 -- 9, we normally use .4 as a
16 regression factor. 0.9 is extraordinarily different
17 than that with very little reason to go there, so I'm
18 very uncomfortable with that.

19 So between shifting funds from salaries to
20 meter replacement and making a revenue neutral
21 adjustment there, leaving the regression and the rate
22 structure where it is, going with Public Counsel's
23 recommendation with respect to not only a six-month
24 report but perhaps another 12-month -- another six-month
25 report at the end of 12 months, that would give staff

1 and the management audit team going in, that would give
2 staff a chance to look at the company's billing
3 practices and the resulting bills that are coming out of
4 the company, determine whether we need to come back to
5 you to see if this company needs to be show caused and
6 give an even better incentive to improve their
7 practices.

8 **CHAIRMAN GRAHAM:** Well, were you done?

9 I completely agree with Ms. Merchant that
10 there needs to be a -- some sort of compliance report.
11 I think there needs to be an ability, some sort of
12 mechanism for this to come back before us and not have
13 to actually go through show cause.

14 I agree with you with the repression. I think
15 that's just a swag number, and anybody can kind of, you
16 know, start with a different -- handful of data and make
17 it say basically anything you want it to say.

18 My only concern and my biggest concern is to
19 make sure that we get this utility running efficiently
20 and that we aren't running into DEP problems because
21 that's when you start -- that's when everything starts
22 to go downhill.

23 I think the order should also speak to the
24 boil water notices that we were talking about because,
25 you know, there's a specific standard to that, and it

1 sounds like they're not adhering to that standard. And
2 so we need to make sure that that's part of the
3 compliance report.

4 I mean, there's a handful of things that came
5 out here today that we need to hear back six months from
6 today that those things are moving forward the way we
7 anticipated them moving forward, and then also 12 months
8 from now that those things are moving forward the way we
9 anticipate them be moving forward, or we should be able
10 to pull them right back in here and talk specifically
11 about those things.

12 **MS. DANIEL:** Certainly.

13 **CHAIRMAN GRAHAM:** Commissioner Brown.

14 **COMMISSIONER BROWN:** If no other Commissioners
15 have any questions, I've kind of kept track of some of
16 these contingencies and am prepared to make a motion on
17 it so that we can --

18 **CHAIRMAN GRAHAM:** Let's hold off on that.

19 **COMMISSIONER BROWN:** Okay. I do have a
20 question, though, of Office of Public Counsel.

21 **CHAIRMAN GRAHAM:** Okay.

22 **COMMISSIONER BROWN:** And I do want to say too
23 to the customers that came out here from Cedar Acres,
24 this is why it's so important for public testimony
25 because it does impact our decisions. I did not know

1 from the recommendation the severity of the billing
2 issues and the meter issues, and your testimony has been
3 very, very helpful.

4 In addition, the same thing goes with Public
5 Counsel's concerns, you've raised a lot of great
6 solutions to addressing the utility, so thank you so
7 much for your participation in this.

8 And I just wanted to ask you if you could
9 provide some additional comments to staff's
10 recommendations that they've just presented.

11 **MR. TRUITT:** We appreciate staff's
12 recommendations, a lot of it, and I know the main
13 concern, which I think has been echoed by many
14 Commissioners, is once this audit starts, there's still
15 plenty of meters that are not going to be working and
16 how that's going to work.

17 And we talked amongst ourselves, and perhaps
18 for those meters that we know that are not working that
19 are going to be billed before they can get replaced, set
20 up a proxy method, you know, based on if we can figure
21 out the error to the meters and actually average
22 accurate prior use and use a proxy method to fix.

23 So if you have -- what was it -- 78 meters a
24 year being replaced, let's assume in the first two
25 months you get, you know, one-sixth of that done. For

1 the remainders that are going to be hit with the higher
2 rates and their meters are still in error, coming up
3 with some kind of a proxy method so that they're
4 protected in the interim before they come back before
5 the Commission. And I know it's imprecise and it's not
6 perfect, but in terms of our suggestions, that's the
7 only thing we can think of to add to that.

8 **MS. MERCHANT:** The only other comment I would
9 have about the repression, there still are a lot of
10 issues with repression. I think that if you give the
11 benefit of the doubt to the customers instead of the
12 company, who's not here to answer to that, I think that
13 would be like a, maybe a step increase. You could come
14 in and you could not -- not use the repression today and
15 then come in in six months or a year. If they're not --
16 if the customers are repressing to the level, then the
17 rates could possibly be escalated up.

18 And the second thing that I would like to
19 comment on is that I would maybe ask the Commission if
20 they could communicate with the utility that all the
21 requirements when a customer complains about their
22 meter, what they have to do, because the rules, they
23 spell it out. You know, if the customer says, "I can't
24 be using 45,000 gallons in one month," then the
25 utility -- they can ask the utility to come in and do

1 that test. And if they want to have a bench test, the
2 customer has to pay a deposit. And if the meter is
3 wrong, the utility -- the customer gets the deposit
4 back. If the meter is right, then the customer loses
5 that deposit.

6 So I just want to make sure that the utility
7 knows, you know, read through the rules. Look -- I
8 mean, there's a lot of them that they've been -- I mean,
9 we haven't even mentioned books and records, and books
10 and records are not good either. But those are the kind
11 of things I was thinking is maybe we could do, like, a
12 two-step, you know, rate increase with the repression
13 and maybe adjust it later on down the road. And that
14 was, you know, just to give more of a benefit of the
15 doubt to the customers than the utility at this time.

16 **CHAIRMAN GRAHAM:** I think staff addressed it
17 earlier that the rates that they're proposing aren't
18 astronomical rates. I mean, if you look at other
19 utilities in the area, I mean, it's right in line where
20 all the other utilities should be. It's more a rate
21 shock than anything else right now that we're dealing
22 with. And I understand, I appreciate the fact that
23 there is a lot of elderly that are on fixed income and,
24 you know, that it's a -- it's not a posh neighborhood,
25 so there's -- you know, these dollars are going to hurt

1 and people are going to feel those dollars.

2 I just need to move forward from where we are
3 here today. And it's -- the ratepayers, it's not their
4 fault the utilities haven't come in here. And I'm not
5 looking by any means to reward the utility, but I'm also
6 not looking to push these guys into sort of
7 receivership. Because, you know, I need to make sure
8 that the DEP standards are being hit because the last
9 thing -- God forbid -- we need for anything to happen is
10 for somebody to get ill. I mean, so we need to make
11 sure as we're making these decisions that we're
12 providing enough funds so they can actually make -- that
13 this water is going to be good, clean, healthy water. I
14 mean, that's got to be job number one.

15 I think we need to make sure that the order,
16 and Commissioner Brown, I'm sure, is down there making
17 notes, and we need to make sure that this order is very
18 clear about what we -- what we're saying needs to
19 happen.

20 Commissioner Edgar.

21 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.

22 Ms. Merchant stated a moment ago that -- a lot
23 of issues with the repression component and others, and
24 I would point out that the repression issue, I believe,
25 is in Issue 9. And if memory serves, we're still on

1 Issue 1. So -- and so I don't think we've actually
2 discussed that really yet, I don't think we got there,
3 because we had said in the beginning that we would go
4 issue by issue, and it is discussing Issue 1 and the
5 recommendation by staff of a finding of unsatisfactory
6 service, which has kind of allowed us to delve into the
7 variety of issues that we have more deeply.

8 Question, Mr. Fletcher. When you -- when we
9 first reconvened and your comments about perhaps some
10 suggestions as we move forward, you said that what you
11 outlined, which would lead to approximately, if I noted
12 it right, approximately an additional \$8,350 for more
13 meter replacement or an accelerated schedule, and you
14 said that the proposal would be revenue neutral. Am I
15 correct that when you said revenue neutral, you mean --
16 if indeed approving the recommended rate increase, that
17 these adjustments would be revenue neutral to that?

18 **MR. FLETCHER:** In -- I guess what I meant to
19 say -- that is correct, I characterized that.

20 **COMMISSIONER EDGAR:** Okay.

21 **MR. FLETCHER:** It wouldn't really
22 significantly change revenue requirement. There may be
23 something on the offering margin that may shift a
24 little, but in essence it's basically revenue neutral
25 with the shifting --

1 **COMMISSIONER EDGAR:** With the increase.

2 **MR. FLETCHER:** With the increase.

3 **COMMISSIONER EDGAR:** That we haven't yet
4 approved.

5 **MR. FLETCHER:** Correct.

6 **COMMISSIONER EDGAR:** Okay. I just wanted to
7 make sure which status we were working within. Thank
8 you.

9 I still remain concerned -- there's the meter
10 issue and not knowing with complete accuracy the extent
11 of the meter issue, but it also appears to me that -- or
12 at least from what we've heard that there may be
13 additional billing issues or billing practice issues.
14 And I think I understand that the suggested management
15 audit, that is one of the things that would be looked
16 at. But for a customer to say that it's been, you know,
17 he can't get the address changed to receive his bill at
18 his residence is of concern. So I still have this
19 issue.

20 I mean, we've talked about potentially
21 accelerating the meter replacement program, and I
22 certainly see merit in that, but I'm still not sure
23 what -- how we deal with this third-party arm's length
24 and the performance or lack thereof that we've certainly
25 heard some indication of.

1 And I agree with you, Mr. Chairman, that the
2 statutes allow for cost of service revenue requirement,
3 if proven up, and the utility certainly cannot provide
4 good service and good quality product if drastically
5 underfunded. On the other hand, I'm wondering a little
6 bit what the rush is. If we're talking about a tiered
7 structure, reporting back, a proxy rate, which is an
8 intriguing idea, but I don't see anything in front of me
9 to ascertain what that should be and what the rationale
10 or formula or logic would be for that, so I wonder, you
11 know, if there is some interest in discussing that or
12 pursuing it, I think we maybe would need more data.

13 So I note from the opening page of the item
14 that the critical date, it appears to be April of 2016.
15 So I am wondering if perhaps we might want to consider
16 giving direction and maybe a deferral with recognizing
17 that it's been a long time since the utility came
18 forward, as Commissioner Brown noted, the fact that
19 nobody directly representing the utility is here, it
20 certainly would have been helpful to hear their
21 perspective, that maybe we consider taking some
22 additional time with some direction to our staff, of
23 course, to consider these issues. But if -- but I
24 certainly am open to, you know, if there are some things
25 that absolutely need to be addressed immediately, I

1 would certainly want to know that, but I don't see any
2 other critical dates when I read through the item.

3 So I guess I will now pose that as a question
4 to our staff. Are there any critical dates prior to the
5 April 18th 15-month effective date for the SARC?

6 **MS. AMES:** Commissioner, that's the only
7 critical date we're operating under.

8 **COMMISSIONER EDGAR:** Okay. So open for
9 discussion.

10 **CHAIRMAN GRAHAM:** Braulio.

11 **MR. BAEZ:** Critical dates aside, Commissioner,
12 I think wrapped up in what you're suggesting -- and
13 obviously a deferral will let us collect our thoughts in
14 a much more crystalline manner. Having said that, I
15 think you all have identified the meter replacement
16 issue as something critical, and in our discussions,
17 certainly what I overheard with the staff discussions is
18 that somehow that becomes priority one. And what
19 Mr. Fletcher had suggested, if you were amenable to have
20 some redirection of funding in order to accelerate this
21 meter replacement, that problem is going to persist for
22 whatever amount of time you want to defer. And so you
23 are caught between this wanting to start addressing the
24 most critical issues now and then -- or waiting for a
25 more comprehensive solution, again, assuming a more

1 comprehensive solution can be produced over the next few
2 months.

3 It's a hard call. I don't know what I would
4 tell you honestly. It really all depends on how much
5 you want to get this meter replacement, again, based on
6 our suggestion, how soon you want to get it started.
7 And it sounds like what Ms. Daniel had suggested is that
8 a lot of the solidifying of what the company's needs are
9 on other fronts, the audits and the reports are going
10 to -- assuming they're in place today, as of today,
11 they're going to produce those kinds of issues for us to
12 correct moving forward.

13 **CHAIRMAN GRAHAM:** I have a question of staff.
14 Walk me through a management audit. What's involved in
15 that? What are you proposing is going to happen when
16 you walk onto the site?

17 **MS. DANIEL:** The management audit staff can go
18 in and look at all of the management practices that are
19 used by the company. They also have the ability to make
20 recommendations with respect to best management
21 practices. They can certainly look at the billing
22 practices that the utility has and the internal controls
23 that are involved with that.

24 We also have our regular auditing staff, as I
25 mentioned earlier, who actually does a billing analysis

1 for staff. So they also are potentially available to go
2 in and work with the utility to help them address some
3 of these problems.

4 **CHAIRMAN GRAHAM:** Because I think, as
5 Commissioner Brisé said earlier, just changing out the
6 pumps, I mean, just changing out the meters doesn't
7 fix -- it fixes one of the 20 problems, and we need to
8 make sure that there's somebody addressing the rest of
9 those problems.

10 **MS. DANIEL:** Right. Being responsive to the
11 customers, the boil water notices, all of those things
12 need to be looked at.

13 **CHAIRMAN GRAHAM:** Commissioner Brisé.

14 **COMMISSIONER BRISÉ:** Thank you, Mr. Chairman.

15 A quick question concerning the audit, the
16 management audit. We're able to do that independently
17 of whether we put it in an order or not; right?

18 **MS. DANIEL:** You are, Commissioner.

19 **COMMISSIONER BRISÉ:** What is that?

20 **MS. DANIEL:** You are, Commissioner. You are
21 correct.

22 **COMMISSIONER BRISÉ:** Okay. So if we were to
23 defer this item to a later date, we can do all of that
24 work in between.

25 **CHAIRMAN GRAHAM:** Oh, yeah.

1 **MS. DANIEL:** Availability of the staff would
2 be the only issue. I'm not sure what else is on their
3 plate. I do not work directly with that staff, so --

4 **COMMISSIONER BRISÉ:** But I suppose if the
5 Commission provided direction that that is something
6 that we wanted, staff would find the resources to make
7 that happen.

8 **MS. DANIEL:** I suspect those resources could
9 be found.

10 **COMMISSIONER BRISÉ:** Okay. So with that in
11 mind, I think I'm comfortable with the thought of
12 deferring the item to make sure that we have a more
13 comprehensive approach that takes a look at the two
14 sides of the issue the way I look at it. I mean, it
15 doesn't have -- we don't have to wait until April of
16 next year to find a resolution. I mean, the quicker,
17 the better. But finding a resolution that is
18 comprehensive, that addresses -- obviously with us not
19 moving forward, we'll get the attention of the utility
20 because I'm sure that they are interested in the results
21 of today. And recognizing that we have decided not to
22 move forward today would get my attention if I were a
23 utility owner.

24 And then to say that -- and then staff coming
25 behind with, look, we're going to audit your, what

1 you're doing in terms of your management, how you're
2 dealing with customers and all of that so that we can be
3 in a better position to address the challenges that
4 exist, I think that the utility will be responsive to
5 that, and then we would be in a better position to
6 ascertain what is the proper steps moving forward.

7 **CHAIRMAN GRAHAM:** Mr. Truitt, walk me through
8 your idea of -- your billing idea. What were you
9 thinking?

10 **MR. TRUITT:** You mean in terms of the proxy,
11 Mr. Chairman?

12 **CHAIRMAN GRAHAM:** Yes.

13 **MR. TRUITT:** Okay. Looking at the adjustment
14 of bills for meter error, obviously the Commission, you
15 know, has rules that details if it's fast or slow and
16 you figure out the percentage and you can adjust bills
17 based on that. And then it also says if you have a
18 non-registering or partially registering meter, a
19 customer may be billed an estimated amount based on
20 previous bills for similar usage. That's Rule
21 25-30.340.

22 If you go in in the audit and perhaps there's
23 a billing -- meter reading error where people are not
24 looking at it, if you can figure out that that's the
25 case and then you have this 11 swimming pool meter but

1 it's because you didn't look at it for the last eight
2 months, then they can actually average that out and
3 figure out what the actual monthly proxy usage is. So
4 it could be part of the management audit as well, which
5 would again, if it was deferred and came in later after
6 that audit, would protect the customers as the rates
7 went in effect as the meters got replaced.

8 And so I'm obviously not suggesting making
9 anything up. I'm suggesting that if you go in and look
10 and you find these issues or the Commission staff finds
11 these issues, that if compiling data they can figure out
12 an accurate proxy base, then in the interim as those
13 meters are replaced, that might be helpful going forward
14 to protect the customers.

15 **CHAIRMAN GRAHAM:** I don't have a problem, and
16 it sounds like that's the will of the Commission,
17 deferring this thing right now. I just don't know --
18 well, deferring it is not an issue as far as I'm
19 concerned. I guess my concern is we'll get the
20 management audit to happen whenever that happens. Let's
21 just say it happens in the next 30 days. That means
22 before they come back to us with a report, that's at
23 least 60 days, and what are we going to be missing or
24 what opportunity is going to slip away from us for not
25 doing anything for the next 60 to 90 days? Mary Anne.

1 **MS. HELTON:** I just want to make sure that
2 everybody understands that that critical date that's
3 listed at the beginning of the staff's recommendation of
4 April 18th, the Legislature contemplates that there will
5 be a final order issued by that date. So in order to
6 have a final order, there needs to be a proposed agency
7 action order before that that if there's a protest, then
8 we can have the hearing and then have the final order
9 issued. So there needs to be enough spread time to do
10 so.

11 I'm not the expert on how long it takes to get
12 that hearing process done, but we're -- the longer you
13 push it out, the harder it becomes, and then it does --
14 it reaches a point where that becomes impossible.

15 **CHAIRMAN GRAHAM:** Commissioner Brown, did you
16 still want to speak?

17 **COMMISSIONER BROWN:** No.

18 **CHAIRMAN GRAHAM:** Okay. So I -- do we want to
19 continue through? Once again, we're on Issue 1. Do we
20 want to continue through? Because maybe there's other
21 things that we need to talk to staff about now and with
22 OPC being here, so when this comes back before us, and
23 I'm hoping the very latest will be 60 days, that we hit
24 the ground running and not pushing back and pushing back
25 and pushing back. Braulio, did you have --

1 **MR. BAEZ:** I appreciate your comfort level
2 with 60 days. I just want everybody to be clear whether
3 that's even a possibility or not. I mean, the point
4 that you make, Chairman, actually you touch upon a good
5 point, how much monitoring and how much auditing is
6 going to be able to be done even if you push out
7 60 days? There's not a lot of -- that's not a lot of
8 time to get data back and to put it through its motions.
9 I mean, you know, there's some process involved there
10 too.

11 I promised myself I would never advocate, but
12 I think the more we talk about it, the more I seem to
13 think it's prudent to drive a stake in the ground now
14 and let this monitoring and this auditing that has to
15 happen be something that happens in the future. Even as
16 you're funding the critical issues, you're creating the
17 funding for the critical issues that you already know
18 you have. I mean, whatever the extraneous billing
19 issues we don't know we have, that's going to get caught
20 up in the auditing and the monitoring.

21 The meter replacement, and you know you have
22 that issue, that's one of those things that you want to
23 get started as soon as possible. Everything else can --
24 excuse me -- everything else kind of can get sorted out
25 before or after your decision, but preferably after

1 because you've already driven a stake in the ground,
2 you've already gotten the ball rolling on the critical
3 issue that you do know you have, and that's really the
4 one that takes the money.

5 **CHAIRMAN GRAHAM:** Well, what monitoring --
6 what have we done so far to date that came up with this
7 recommendation? Anybody.

8 **MR. BAEZ:** I personally didn't do any
9 monitoring.

10 **MR. SHAFER:** Commissioner, Mr. Chairman, I
11 think that, you know, staff processed this case in the
12 similar way that it processes all cases, and certainly
13 the quality of service issue, you know, there's a
14 recommendation there for a, you know, a hit to the
15 salaries. It's kind of the process that we consistently
16 use. It just seems like we are in a place where it's
17 whack-a-mole. You know, you put your hand over one hole
18 and several more spring up. And it's just one of those
19 cases, I guess.

20 But there are -- I believe that Public
21 Counsel's compliance reporting issue, the management
22 audit are things that we can put in place, and six
23 months from now, if you approve that, that we'll be back
24 here reporting on whether the utility has made any
25 progress on those issues, and hopefully they have and

1 hopefully we can continue to move forward with a
2 six-month monitoring plan and hopefully get the utility
3 in the right direction. There are no guarantees
4 unfortunately, and, I mean, that's kind of the process
5 we're left with, I think, at this point.

6 **CHAIRMAN GRAHAM:** Well, I'm just trying to
7 understand. So there hasn't been any site visits so
8 far. I mean, most of this stuff has just been
9 communication on phone or --

10 **MR. SHAFER:** Yes, sir, absolutely there has.

11 **CHAIRMAN GRAHAM:** Okay.

12 **MR. SHAFER:** The engineers -- our engineer
13 went down to the service territory, they contacted DEP,
14 they did all the routine things that we typically do in
15 these cases.

16 **CHAIRMAN GRAHAM:** Okay.

17 **MR. SHAFER:** And that revealed a number of
18 issues. The customer meeting revealed a number of
19 issues. Today's customers revealed some things that
20 were maybe a little different than what we had heard
21 before, so --

22 **CHAIRMAN GRAHAM:** So what does this management
23 audit do that's different from what we've done so far?

24 **MR. SHAFER:** Okay. That -- my understanding
25 of the management audit is that they will actually go

1 onsite to the utility and determine what processes the
2 utility is using to deal with billing and customer
3 complaints and DEP compliance, and they will identify
4 those things that the utility is or isn't doing. And
5 then, as Ms. Daniel indicated, subsequently there would
6 be some recommendations, and then we would have the
7 opportunity to react to those.

8 **CHAIRMAN GRAHAM:** And I'm just trying to
9 understand, I'm not pointing my finger at anybody, I'm
10 just trying to understand what we've done so far and
11 what we're proposing to do as we're moving forward.

12 **MR. SHAFER:** I think that level -- the
13 management audit is a level of involvement and detail
14 that is atypical in these cases. And, you know,
15 certainly it sounds like the lack of effective oversight
16 by management of the utility is pretty atypical as well.

17 So it's not something that we necessarily are
18 engaging in at that level in every case because we don't
19 anticipate as many leaks, if you will, as we seem to
20 have in this one.

21 **MR. FLETCHER:** If I could touch a little bit
22 more on the monitoring we've done so far. We sent the
23 auditors out, we had an audit request to examine the
24 books and records. As Mr. Shafer, Greg mentioned, that
25 we had the engineers do a site visit. We had a customer

1 meeting in these cases. As far as billing issues,
2 typically we see those through customer complaints.
3 That's our monitoring of really when we get that. And
4 we've -- as we received the customer complaints, those
5 who write in and also at the customer meeting, that's
6 basically the monitoring setup during a normal
7 staff-assisted rate case to identify billing issues.
8 The level that has been spoken here today was not
9 addressed as -- it wasn't as highlighted as it was here
10 today by the customers' testimony. But that is the
11 normal with staff data requests as far as monitoring and
12 honing in on that.

13 Ms. Daniel mentioned the billing analysis.
14 The financial auditors did that in this one, and they
15 noted a couple of issues with the billing analysis and,
16 hence, they had to take a different approach with which
17 to come up with the gallons to set the rates based on
18 the recommended revenue requirement.

19 And I guess just the management audit just
20 extends further. It goes really to the internal control
21 processes that management -- it's just -- it's not
22 typical what you see in a regular audit just dealing
23 with the financial matters. It goes beyond. What
24 actions, what policies and procedures that you have in
25 place, are you following them? Are they lacking in any

1 area regarding billing? It can touch upon the
2 estimating bills. Pursuant to our rules, all those can
3 be in the scope of that management audit and really hone
4 in on the deficiencies of the management and recommend
5 corrective action in those multiple areas.

6 **CHAIRMAN GRAHAM:** Commissioner Edgar, did you
7 want to speak?

8 **COMMISSIONER EDGAR:** Thank you. We may have
9 moved beyond, but to clarify, if necessary, I certainly
10 did not mean to suggest that we wait until April to move
11 forward on anything, but I was trying to make the point
12 that it appeared that there may be additional time if
13 additional time would be helpful, if additional
14 information and a little more hard data might be
15 obtainable that would help.

16 Secondly, you, Mr. Chairman, had asked if we
17 wanted to proceed through the other issues, and my
18 suggestion was going to be at whatever was the
19 appropriate time that we might want to take up and
20 discuss Issues 6 and Issues 9 because it does appear
21 that many -- most of the other issues may be fallout
22 after those discussions. And if there's, you know,
23 others that we should be sure to look at more
24 specifically, that certainly is fine, but I think those
25 are the two that also have perhaps more discretion,

1 technical information. So that was going to be my
2 response to that question that you posed earlier.

3 **CHAIRMAN GRAHAM:** Is -- excuse me -- there
4 anything else, any other questions or concerns right now
5 about Issue 1? Okay.

6 Let's move on to Commissioner Edgar's
7 suggestion of Issue 6. And if you want to touch on
8 2 through 6, that's fine. Staff, walk us -- to get us
9 started, walk us through the staff recommendation on
10 Issue No. 6.

11 **MR. SMITH:** Lee Smith with Commission staff.
12 Issue 6 deals with the O&M expenses. There has
13 obviously been a lot of discussions on changes with
14 these, with salaries and also with director's fees. A
15 lot of these -- a lot of these costs were not being paid
16 by Cedar Acres because of the relationships with other
17 parties. For instance, rent, president's salary, those
18 were the two large ones. So staff did calculate those
19 expenses.

20 There were also some things that were included
21 in O&M that normally would not be because of the
22 operating ratio method, specifically computer and
23 printer software. Normally those items would be
24 capitalized so the utility would earn a return, a normal
25 rate of return. If we were to do that in this case,

1 they would not earn a return on those investments;
2 therefore, we've recommended expensing those so the
3 utility can earn a return on their investment in those.

4 The computer, you know, they were using
5 related party -- someone else's in the office. They --
6 you know, we felt that they needed their own computer,
7 printer. They need to upgrade their software. So those
8 types of things are included in this recommendation.
9 And happy to answer any questions you have on those.

10 **CHAIRMAN GRAHAM:** Okay. Commissioners.

11 Commissioner Brown.

12 **COMMISSIONER BROWN:** Thank you, Mr. Chairman.
13 Pursuant to our earlier discussion on Issue 1 and noting
14 some of the reductions that we are considering, can you
15 recalculate for us what this particular item would be,
16 the expenses would be without the president's salary,
17 without the board fees, and with the 10 percent
18 reduction in the finance manager's salary? That could
19 help aid our discussion quickly, if you haven't done
20 that already.

21 **MR. SMITH:** I have not --

22 **MR. FLETCHER:** That would be the components --
23 the total would be \$8,350 with the director's fee
24 breakdown of that being a \$1,350 for the director's fee,
25 about \$3,100 coming from the president's salary, and the

1 10 percent reduction of the finance manager being about
2 \$3,900.

3 **COMMISSIONER BROWN:** Good job, Bart. Thank
4 you.

5 **CHAIRMAN GRAHAM:** And basically what the
6 suggestion is is we're just -- we're sweeping all that
7 and that's going into the meter replacement fund.

8 **COMMISSIONER BROWN:** Uh-huh. Which is, what,
9 Issue 11?

10 **CHAIRMAN GRAHAM:** Any other Commissioners on
11 this issue? Questions, suggestions? I got you. I
12 wasn't trying to rush you. I saw you flipping.
13 Commissioner Edgar.

14 **COMMISSIONER EDGAR:** Thank you. Just ask in
15 general, since this is the issue, Issue 6 within the
16 item that is asking us to determine the appropriate
17 amount of operating expense, and that we have talked
18 about these few items, but are there any other items in
19 here that contribute to the total suggested amount of
20 \$106,003, any other items that add up to that amount
21 with which we may have discretion to adjust? And that
22 would be to either staff or OPC or both.

23 **CHAIRMAN GRAHAM:** Ms. Merchant.

24 **MS. MERCHANT:** I would think that one thing
25 that you could look at is the rent because the rent is

1 an allocation from an affiliate party. You know, for
2 this small company, I was thinking that maybe \$9,000 is
3 quite a lot for something it shares with its affiliates.
4 I didn't pick that as an issue earlier, but that's
5 something that kind of sticks out for me.

6 **COMMISSIONER EDGAR:** Thank you. Staff.

7 **MR. SMITH:** Yes. I'd just like to point out
8 that there are other expenses there. Electric and their
9 telephone bill is also included in that cost as well.

10 **CHAIRMAN GRAHAM:** Commissioners, anything else
11 on, I guess, Items 2 through 6?

12 All right. Let's look at Items 7 through 9.
13 If staff would just walk us through Item No. 9 -- Issue
14 No. 9, rather.

15 **MS. DANIEL:** Commissioner, in Issue No. 9,
16 we've taken a look at the average monthly demand of
17 these customers. It's about 57 -- almost 5,800 gallons
18 per month. Looking at the recommended revenue increase
19 of 200 plus percent, we went through the repression
20 analysis that we typically do. It's an inordinately
21 high percentage increase, although, of course, we talked
22 about the notion that it's going from about \$9 a month
23 to \$30 a month. So percentages are relative.

24 We've -- we looked at the 4.5 cents a thousand
25 that these people have been paying for the past several

1 years, and the customers themselves -- Public Counsel
2 almost characterized the \$9 base facility charge as a
3 meter fee. They're not even sensitive to that 4.5 cents
4 a thousand. So we recommended a uniform gallonage
5 charge is significantly higher. That's going to be a
6 conservation incentive, a pricing incentive in and of
7 itself without going to tiered rates.

8 So as I've said before, we're comfortable that
9 the regression analysis is within reason given this
10 percentage increase. We recommend that that regression
11 adjustment be left alone as well as the rate structure,
12 and allow us an opportunity to send the management audit
13 staff in to make sure that they're certainly not
14 overbilling any individual customer. And a point I
15 wanted to make, Public Counsel was concerned about the
16 communication with the customers. Staff always works
17 with the utility when they notice customers of these
18 recommended and final approved rates, and we can
19 certainly work with the company to make sure that that
20 notice articulates very well monthly rates to be billed
21 on a bi-monthly basis.

22 I made a note as Public Counsel was talking
23 earlier that customers need to be aware that they can
24 request that their meters be tested. And I don't
25 believe it would be that difficult for the company to

1 put that information perhaps on this customer notice as
2 an outreach to the customers giving them the information
3 that if they believe their bill is inaccurate, this is
4 the mechanism you use to request a meter test. And I
5 like the ideas that the company -- OPC has put forth
6 with respect to the compliance reporting.

7 That's Issue 9. What else? I said more.

8 **CHAIRMAN GRAHAM:** You did well.

9 **MS. DANIEL:** Thank you.

10 **CHAIRMAN GRAHAM:** Commissioners. Commissioner
11 Edgar.

12 **COMMISSIONER EDGAR:** I would just point out
13 one of the -- or part of the discussion that I had on
14 this item with staff yesterday led me to say, I don't
15 know if they completely agree, but led me to say that
16 the repression analysis and ultimate determination is
17 certainly somewhat formulaic but yet in a way is more an
18 art than a science. We had a long discussion that some
19 of the -- the formula approach that we often use, and we
20 often use it because it has proven to be of value, does
21 not directly apply in this instance because this utility
22 is very small and is structured a little bit differently
23 and their rates were structured somewhat differently.

24 So, Mr. Chairman, you mentioned that the
25 repression may be a bit of a swag. I think there is

1 some truth to that, but I also think that it's important
2 as we're calculating that we are clear on the
3 methodology that we are using and what the analysis is
4 that goes into it.

5 **CHAIRMAN GRAHAM:** Okay. Anyone else? Guys,
6 it's a quarter after. Let's take five minutes, let our
7 minds sink into the stuff we've done so far. So at 20
8 after let's come back.

9 (Recess taken.)

10 **CHAIRMAN GRAHAM:** All right. Thank you for
11 that time to kind of decompress and think a little bit.

12 I'd like to see this move forward today. I
13 don't know if there's specific changes that
14 Commissioners want to make to one, two, three, four
15 different issues, different tweaks, but what I'd like to
16 see, and staff or legal will have to walk me through how
17 this works, maybe in six months, we talked about a
18 compliance report coming back, a report coming back to
19 us, I guess we can do that in IA, basically what was
20 found, where we are as far as our projections, our
21 swags, and then in 12 months actually coming back here
22 and we can make changes as we see fit. You know, if we
23 were wrong on some things, if we need to turn them up,
24 turn them down, then we can do that and not have to go
25 through another full-blown rate case. And I don't know

1 if this is possible or not. I'm just kind of thinking
2 out loud, and somebody can help me walk through this.

3 **MS. DANIEL:** Chairman, may I ask, did I
4 understand you to say Internal Affairs, you wanted us to
5 come to Internal Affairs?

6 **CHAIRMAN GRAHAM:** The first step is Internal
7 Affairs because we're not going to be making any changes
8 after six months because, you know, we're probably not
9 going to have a whole lot of data.

10 **MS. HELTON:** If you are -- if you would like
11 to know my opinion about going to Internal Affairs, I'm
12 not super comfortable with that. We don't typically do
13 that for docketed matters. So we could bring an item
14 before you at agenda and suggest whether we thought that
15 the company was going forward as we would like to see
16 them go or not, or we could just make sure that you have
17 received the report and we have circulated the report at
18 six months and then come back to agenda after a year and
19 then suggest whether -- or recommend whether we think
20 there should be any changes to the rates that are
21 currently being collected by the company.

22 **CHAIRMAN GRAHAM:** Do we have to make a
23 determination in six months if it comes before us
24 through agenda?

25 **MS. HELTON:** No. But, I mean, it seems to me

1 that the more, and this is just my suggestion, it seems
2 to me that the more administratively efficient thing to
3 do is you're really not going to get that much data in
4 six months. If we were to get the report from the
5 company in six months, we would circulate it to you. If
6 there were any things that raised red flags for you,
7 then we could bring that before you at agenda, but not
8 come to agenda or not plan to come to agenda until we've
9 received two reports so we have 12 months' worth of
10 data.

11 **CHAIRMAN GRAHAM:** Well, what I'm anticipating
12 the first six month, number one, I want to make sure
13 that nothing is falling through the cracks and we're
14 actually getting that stuff done, and so we know the
15 utility is coming back to us with that compliance
16 report. And I don't think -- the collective we, there's
17 five of us up here, we have to sit down in a public
18 meeting like this to actually talk and beat this thing
19 back and forth. So you just sending these reports out
20 to us and us having individual staff meetings, there's
21 things falling through the cracks, and so I want to
22 bring it back so we can all collectively talk about this
23 and walk through it, and then in 12 months, if we need
24 to make changes, we can do that, because I know we won't
25 have enough data in six months to make changes.

1 **MR. BAEZ:** Chairman, would it work if -- and I
2 think what Mary Anne's -- what Mary Anne may be
3 struggling with is a situation in which all of these
4 reports and the monitoring, you know, happens at the
5 six-month point and whatever information we have doesn't
6 rise to the level of throwing up red flags to the staff.

7 And in that -- at that moment if, you know,
8 for instance, we're not seeing -- everything is going
9 along the way we expected and we have no concerns over
10 the way things are going, how does that get encapsulated
11 in an issue before you at agenda, and, furthermore, what
12 kind of decision are you making along those lines? I
13 can see a difference between if there's -- if there is
14 continued noncompliance and continued, you know, that
15 they're not meeting at least the expectations that are
16 set forth in this order that you all are going to issue
17 at some point, then we would come back and say, hey,
18 they're not, you know, they've done nothing.

19 **CHAIRMAN GRAHAM:** And that's probably the main
20 thing that I'm looking for in the six months because,
21 number one, I want to see that we're getting some
22 numbers, you know, that make sense to me. Because if
23 we're not getting any numbers -- you know, if we're not
24 doing some of the things that I thought we're giving you
25 direction to do right now, then that's when we need to

1 have the conversation.

2 **MR. BAEZ:** Agreed.

3 **CHAIRMAN GRAHAM:** You know, if there's --

4 **MR. BAEZ:** So if the understanding, and I
5 guess it really just comes down to semantics, if the
6 understanding is that the reporting intervals are six
7 months as a working interval for right now for
8 discussion and that at six months the staff would have a
9 reckoning and ultimately say, yes, there's red flags
10 that we think we need to bring before the Commission so
11 that you all can decide whether you want to go -- you
12 know, we would have a recommendation and say here's what
13 we have to do incrementally or not and you want to have
14 that kind of decision before you, then that's how we
15 would -- that's how we would proceed.

16 To the extent that they are, the company is
17 meeting expectations of the order that you all are going
18 to issue, then there's nothing -- you know, we just keep
19 going until we hit something. Is that -- if that makes
20 sense. Sort of -- I don't even know if a negative
21 checkoff is -- but as long as there's nothing wrong, as
22 long as they're complying with the obligations of the
23 order, then we don't have to bring something to you at
24 agenda. I mean, would that --

25 **CHAIRMAN GRAHAM:** I want to see something in

1 six months.

2 **MR. SHAFER:** Mr. Chairman, if I may, along the
3 lines of what Mr. Baez was saying, it sounds a lot like
4 the quality of service issue. And I suppose that you
5 could request that the Commission revisit the quality of
6 service issue in six months based on the reporting
7 requirements that we have, and then you're in a position
8 to make a decision either they're meeting quality of
9 service or they're still not, give them another six
10 months, and revisit it again.

11 **CHAIRMAN GRAHAM:** Well, what I want to see
12 when that audit goes out, you guys do your audit. Let's
13 just say you get it done in 60 days. You know, you're
14 not coming back to us on that audit. You know, you're
15 putting the audit together. The compliance report is
16 going to come back in six months. I want for staff to
17 be able to sit back and say, well, we found that they
18 weren't doing this, this, this and this in the audit
19 and, you know, we made suggestions to them. The
20 compliance report came back. They're still not doing
21 this and this and this, and for us collectively to sit
22 back and go through that, both the compliance report and
23 that audit and say make some suggestions, well, this is
24 not what I understood we were going to do, I thought we
25 were going to do this, and specifically I wanted to make

1 sure that this happened. And so at the six-month to --
2 well, six- to seven-month period we can give you guys
3 more specific direction, and so then when the 12-month
4 period comes through when we actually have some sound
5 data, we can make some changes is what I'm looking to
6 do, and I just need for your suggestions or even hear
7 the Commission's suggestions on how we go about doing
8 that.

9 **MR. SHAFER:** And I think that, you know, we're
10 talking about basically the same concept, just framing
11 it under quality of service.

12 **CHAIRMAN GRAHAM:** That's fine.

13 **MR. SHAFER:** Because the billing issues and
14 the DEP compliance and all that stuff falls kind of
15 broadly under that umbrella, and to put that issue
16 before you again in six months, and either way, whether
17 the company has, you know, effectively complied or they
18 haven't, that's an opportunity for more direction, if
19 that's your pleasure.

20 **CHAIRMAN GRAHAM:** Now how do we go about
21 changing the cash flow, the rates or anything that we
22 have to -- if we feel like we have to make those changes
23 in six months and not have to go through a full, another
24 rate case -- I'm sorry, not six months but 12 months.
25 You know, if we decide that Ms. Merchant was right and

1 we want to go from 29 percent repression down to 21.

2 **MR. SHAFER:** Here's my concern about making
3 that call in six months, and that is --

4 **CHAIRMAN GRAHAM:** No, 12 months.

5 **MR. SHAFER:** Twelve months. Okay. Twelve
6 months, I'm perfectly comfortable with that. That gives
7 us a full year of data that will incorporate whatever
8 seasonality there may be, and hopefully will also
9 incorporate the meter replacement that can take place
10 during that period of time.

11 And if we want -- if you want an interim
12 report on that in six months, that's fine too. I just
13 would not be terribly comfortable making the rate change
14 in six months.

15 **CHAIRMAN GRAHAM:** No. No. No. We won't -- I
16 don't -- I'm just speaking off the top of my head right
17 now. I'm not making any Commission determinations right
18 now, but I'm -- I just need to know that we're moving
19 forward. So call the interim report in six months, but
20 in 12 months, you know, we need to make sure that the
21 things that we've done here today are actually in the
22 best interest of this utility, both for the customers
23 and for the utility itself. Does that makes sense?

24 **MR. SHAFER:** Yes, sir.

25 **MR. BAEZ:** Chairman, we may be complicating

1 this, and I apologize. I think it's perfectly
2 acceptable and we're capable of getting the report in
3 six months and bringing to you a recommendation of
4 whether the staff thinks they've been complying with
5 your order or not, and you can accept or -- accept the
6 recommendation or use whatever discretion you have under
7 the circumstances. That's not a problem.

8 **CHAIRMAN GRAHAM:** And just make sure that six
9 months, that we also get the management audit and
10 everything.

11 Commissioner Edgar.

12 **COMMISSIONER EDGAR:** Greg, if we were to go
13 down this route of six months, let's say 12 months, what
14 rate change would we be considering? I mean, the
15 revenue requirement is the revenue requirement.

16 **MR. SHAFER:** Right. In 12 months what I'm
17 alluding to would be whether or not the repression
18 adjustment appeared to be correct, assuming that you
19 approve the staff recommendation, or in lieu of the
20 staff recommendation, that you adopt Public Counsel's
21 proposal, either way, that in 12 months we would have
22 some indication as to whether that was in the ballpark
23 of being the right number.

24 **COMMISSIONER EDGAR:** Okay. Repression.

25 **MR. SHAFER:** And if it's, you know, somehow

1 way off, then the rates could be adjusted.

2 **COMMISSIONER EDGAR:** Okay. That's helpful.
3 Thank you.

4 Follow-up question. So if we do the audit, we
5 get the compliance report, hopefully it comes back more
6 satisfactory, then does that mean that we would consider
7 changing our finding from unsatisfactory to
8 satisfactory?

9 **MR. SHAFER:** That would be entirely at your
10 discretion, I would think.

11 **COMMISSIONER EDGAR:** And if that were the
12 case, then the 25 percent reduction penalty that we've
13 put in for finding quality of service as unsatisfactory,
14 how would that be handled?

15 **MR. BALLINGER:** I'll take a shot at this.

16 **COMMISSIONER EDGAR:** Thank you.

17 **MR. BALLINGER:** It's spinning on itself now.

18 **COMMISSIONER EDGAR:** Agreed.

19 **MR. BALLINGER:** We have the unsatisfactory.
20 Typically what we do with utilities is you're looking at
21 a snapshot of the utility, how they're operating today
22 and making that determination, and you set incentives in
23 place, if you will, docking salaries, ROEs, until the
24 next rate case before it's changed.

25 If we go through and we find that they've

1 corrected all these misdeeds, if you will, and now it's
2 satisfactory, you no longer have that money that was
3 going to the meter replacement. You're actually going
4 to have to increase revenue requirements. So that's --
5 I'm hesitant with that. I'm leaning towards setting
6 something in place now. Let the chips fall as they go.
7 Have the monitoring in place, have the reporting and
8 stuff like that and decide.

9 **COMMISSIONER EDGAR:** Thank you.

10 **MR. BALLINGER:** You're welcome.

11 **COMMISSIONER EDGAR:** That was -- that was
12 where I was headed. Thank you.

13 **CHAIRMAN GRAHAM:** So suggestions?
14 Commissioner Brown.

15 **COMMISSIONER BROWN:** Mr. Chairman, it looks
16 like we need to address Issue 1 if we're going to go
17 ahead and vote on these. And I'm in agreement with you.
18 I'm prepared to make a motion and go forward today.

19 And then the other issues that we need to
20 address, it sounds like, are the repression and make a
21 modification potentially there, and then the meter
22 replacement, Issue 11.

23 But if you want to go to Issue 1 to facilitate
24 this, I'm ready to go.

25 **CHAIRMAN GRAHAM:** Issue 1.

1 **COMMISSIONER BROWN:** All right. I would move
2 the staff recommendation with the following conditions,
3 and I will speak slow for our Clerk.

4 The first condition would be that the utility
5 shall allow the Commission to audit the utility's
6 billing and other management practices immediately and
7 report back to the Commission thereafter.

8 The second condition is one of Public
9 Counsel's recommendations, which is require a compliance
10 report in no less than six months showing corrective
11 measures taken of the billing issues; billing analysis;
12 compliance with PSC regulations; compliance with Florida
13 DEP regulations; and I will include also compliance with
14 Department of Health regulations, which addresses the
15 boil notices issue; measures taken to address customer
16 concerns and complaints.

17 Additionally, this is removal of the
18 president's salary as a result of the unsatisfactory
19 quality of service, remove the director's fee as a
20 result of the unsatisfactory quality of service too, and
21 reduce the finance manager's salary by 10 percent
22 pursuant to Public Counsel's recommendations.

23 Additionally -- staff and Commission -- I'm
24 welcome to a friendly amendment here on this one because
25 this is your issue here. Staff will come back to --

1 staff will report back to the Commission within six and
2 12 months with data to see if the utility is complying
3 with the Commission's final order and give the -- I
4 think that's all. I think that's it.

5 **COMMISSIONER PATRONIS:** Direction where those
6 funds will be utilized.

7 **COMMISSIONER BROWN:** I was going to put that
8 in the meter issue.

9 **CHAIRMAN GRAHAM:** Okay. That motion has been
10 moved and seconded. Does anybody need any clarification
11 or for it to be restated?

12 Yes, sir.

13 **MR. BALLINGER:** Sorry, Commissioner Brown.
14 Clarification. You said staff report back within
15 six months. I think it needs to be after the six-month
16 report from the utility, we will get back to you as soon
17 as possible.

18 **CHAIRMAN GRAHAM:** We figured 30 to 60 days
19 after those reports come in.

20 **MR. BALLINGER:** Okay. I was just listening to
21 her motion, and you had staff come back within six and
22 within 12 months, but I think it needs to be a little
23 bit after the reports come in. I just wanted to --

24 **COMMISSIONER BROWN:** Okay. So moved.

25 **CHAIRMAN GRAHAM:** So any other clarifications

1 or -- Commissioner Edgar.

2 **MS. STAUFFER:** Excuse me. Can you repeat
3 number two?

4 **COMMISSIONER EDGAR:** I am less comfortable
5 than my colleagues on either side of me with moving
6 forward today, but I recognize that our options are
7 limited. Always frustrating.

8 I would just -- and I think this probably
9 doesn't need to be said, but just in case, ask that as
10 staff is doing their audit of billing and management
11 practices, that the additional billing concerns that
12 have been raised separate from the accuracy of the meter
13 receive particular attention.

14 **CHAIRMAN GRAHAM:** You needed for her to
15 restate the second one?

16 **MS. STAUFFER:** I think I'm good.

17 **CHAIRMAN GRAHAM:** Okay. All right. So we
18 have the Brown amendment on Issue No. 1. It's been
19 moved and seconded. Is there any further discussion?
20 Seeing none, all in favor, say aye.

21 (Vote taken.)

22 Any opposed? By your action, that
23 amendment -- that motion has been passed.

24 Okay. What other one did you say, Julie?

25 **COMMISSIONER BROWN:** Issue 6, which is the

1 meter -- pardon me. Not Issue 6. Yeah, Issue 6.

2 **CHAIRMAN GRAHAM:** Okay. So let's go ahead and
3 I'll let you make your motion on Issue 6.

4 **COMMISSIONER EDGAR:** Mr. Chairman -- oh, I'm
5 sorry. I would, if it helps the process, I can move
6 approval of Issues 2, 3, 4, and 5 to bring us to Issue
7 6.

8 **COMMISSIONER BRISÉ:** Second.

9 **CHAIRMAN GRAHAM:** I was going to kind of tie
10 it all to 6, but that's fine. Your motion -- it's been
11 moved and seconded to approve staff's recommendations on
12 2, 3, 4, 5, and making any changes that need to be made
13 based on the motion that passed in Issue 1.

14 **COMMISSIONER EDGAR:** Any technical adjustments
15 from the rest of our decision.

16 **CHAIRMAN GRAHAM:** It's been moved and
17 seconded. Any further discussion? Seeing none, all in
18 favor, say aye.

19 (Vote taken.)

20 Any opposed? By your action, you've approved
21 that motion.

22 Commissioner Brown, you have the floor.

23 **COMMISSIONER BROWN:** Thank you. And I just
24 wanted to clarify with staff one more time, under
25 Issue 6 there will be a reduction -- as a result of our

1 vote on Issue 1, the reduction in operating expenses
2 would be what amount? I have 82 -- I know it's going to
3 be reduced by \$8,350; right?

4 **MR. FLETCHER:** That's correct, Commissioner.

5 **COMMISSIONER BROWN:** Okay. So what would the
6 final recorded operating expenses then be?

7 **MR. FLETCHER:** Well, there would be no change
8 to the operating expenses because you're just shifting
9 those three items into the meter replacement program.

10 **COMMISSIONER BROWN:** Okay. Mr. Chairman, then
11 I would move approval of the recommendation with the
12 adjustments that were made under Issue 1, which account
13 for reduction -- would that be the right word --
14 reduction under this issue in the amount of \$8,350
15 with -- Bart, because I was going to put the rest of
16 that in the meter issue, that amount.

17 **MR. FLETCHER:** That is correct, Commissioner.

18 **COMMISSIONER BROWN:** Is that the cleanest way
19 to do it?

20 **MR. FLETCHER:** I believe it is. And just the
21 fallout with that is what's in the recommendation now,
22 that would move it from the ten-year program down to a
23 four with your -- consistent with your vote.

24 **COMMISSIONER BROWN:** Okay.

25 **CHAIRMAN GRAHAM:** That motion has been moved

1 and seconded. Do we have any other questions about that
2 motion? Does it need to be restated? Seeing none, all
3 in favor, say aye.

4 (Vote taken.)

5 Any opposed? By your action, the Brown
6 amendment to Issue 6 has been passed.

7 Okay. What else are we tweaking out of --
8 outside of the staff recommendations on Issues 7 through
9 18? Okay. So we can get a motion for 7 and 8.

10 **COMMISSIONER EDGAR:** Move approval on 7 and
11 8 with, again, direction to staff to make any necessary
12 technical adjustment.

13 **COMMISSIONER BROWN:** Second.

14 **CHAIRMAN GRAHAM:** It's been moved and
15 seconded, approval of 7 and 8. I see no further
16 discussion. All in favor, say aye.

17 (Vote taken.)

18 Any opposed? By your action, you've approved
19 that motion.

20 Issue No. 9. Who wants a shot at it?
21 Commissioner Brown.

22 **COMMISSIONER BROWN:** Well, hearing staff's
23 recommendation and hearing comment from Public Counsel
24 and the discussion that we've had, I'm prepared to go
25 with the staff recommendation, but with the caveat of

1 coming back within 12 months to see if an adjustment
2 should be made to the repression. So I was going to
3 make a motion to that effect.

4 **COMMISSIONER BRISÉ:** Second.

5 **COMMISSIONER BROWN:** There it is. That's my
6 motion.

7 **CHAIRMAN GRAHAM:** Okay. And that's the
8 compliance report will be back in 12 months, knowing
9 that staff has got 30 to 60 days to bring that before
10 us.

11 Okay. That's been moved and seconded. Any
12 further discussion? Any further clarification? Seeing
13 none, all in favor, say aye.

14 (Vote taken.)

15 Any opposed? By your action, you've approved
16 that motion.

17 Okay. Bring us home.

18 **COMMISSIONER BROWN:** I would move staff
19 recommendation with Issue -- pardon me. I would move
20 staff recommendation on Issue 10, I guess, before we get
21 to 11.

22 **CHAIRMAN GRAHAM:** 10 through 18?

23 **COMMISSIONER BROWN:** Well, I was going to
24 change 11.

25 **CHAIRMAN GRAHAM:** Okay. It's been moved and

1 seconded, staff recommendation on Issue No. 10, with
2 whatever fallouts that need to be made. Any further
3 questions, concerns? All in favor, say aye.

4 (Vote taken.)

5 Any opposed? You have passed that one.

6 Issue 11.

7 **COMMISSIONER BROWN:** Okay. Mr. Fletcher, with
8 the addition of the \$8,350 in your recommendation, what
9 does -- what is the utility going to be required to
10 escrow every two months?

11 **MR. FLETCHER:** That would be \$2,352 every two
12 months.

13 **COMMISSIONER BROWN:** Okay. And then the
14 bi-monthly, that, so the total amount would be?

15 **MR. FLETCHER:** The total amount would change
16 from the \$5,760 in staff's recommendation up to \$14,110,
17 the total amount to be escrowed.

18 **COMMISSIONER BROWN:** Divided by six.

19 **MR. FLETCHER:** Which would yield the --
20 divided by six, which would yield the \$2,352.

21 **COMMISSIONER BROWN:** Okay. And,
22 Commissioners, I don't know if you're inclined to agree
23 to the four-year expedited.

24 **CHAIRMAN GRAHAM:** Well, I'm trying to
25 understand, what was the divided by six?

1 **COMMISSIONER BROWN:** Yeah. Why is it --
2 bi-monthly.

3 **MR. FLETCHER:** Because they bill on a
4 bi-monthly basis, and that would be divided by six. And
5 just to clarify, this is the issue, as well as Issue 12,
6 with the oral modifications.

7 **CHAIRMAN GRAHAM:** Okay.

8 **COMMISSIONER BROWN:** So the total annual cost
9 is \$14,110.

10 **MR. FLETCHER:** That's correct.

11 **COMMISSIONER BROWN:** Okay. Now there was some
12 discussion earlier among staff or among Public Counsel
13 about providing a final report when the utility has
14 completed the program, but I've had discussions with
15 staff about having more frequent updates on the current
16 status of the program. Would that be something that
17 would be along with the 12-month report? Could that
18 information be --

19 **MR. FLETCHER:** I think with regard to the
20 meter replacement program, this is something staff will
21 monitor. And if the utility does not take action as far
22 as installing the meters, and how we would know that is
23 if there's no request for withdrawals and submitting
24 invoices, that we would bring that back to the
25 Commission if there was no action taken on the meter

1 replacements.

2 **COMMISSIONER BROWN:** And there are clear
3 security measures in place since the Clerk is also a
4 signator.

5 **MR. FLETCHER:** That is correct. You have
6 to -- they have to submit the invoices, and Commission
7 Clerk or the designee would have to give approval for
8 any withdrawals from that account.

9 **COMMISSIONER BROWN:** Okay. Mr. Chairman, I
10 would move staff recommendation on Issue 11 with the
11 following modifications. The total annual cost would be
12 \$14,110, which will be -- \$2,352 of which will be
13 escrowed every two months, and the program is intended
14 to be on an expedited four-year process, something like
15 that.

16 **CHAIRMAN GRAHAM:** That's been moved and
17 seconded, something like that.

18 Commissioner Edgar.

19 **COMMISSIONER EDGAR:** Thank you, Mr. Chairman.
20 And just for clarification, that the oral
21 modification staff had given us previously for 11 and
22 then for 12 I would include within that.

23 **CHAIRMAN GRAHAM:** Okay. Any further
24 questions, re-clarifications?

25 Okay. All in favor, say aye.

1 (Vote taken.)

2 Any opposed? All right. By your action,
3 you've approved that motion.

4 Now, Commissioner Brown, would you take us
5 home?

6 **COMMISSIONER BROWN:** Mr. Chairman, I would
7 move approval on Issues 12 through -- are we going to
8 keep that open? Yes. Twelve through 17.

9 **CHAIRMAN GRAHAM:** We have a motion for staff
10 recommendations on Issues 12 through 17 with any
11 necessary fallouts.

12 **COMMISSIONER BROWN:** Thank you.

13 **CHAIRMAN GRAHAM:** Any further discussion?
14 Seeing none, all in favor, say aye.

15 (Vote taken.)

16 Any opposed? By your action, you've approved
17 that motion.

18 **COMMISSIONER BROWN:** Staff, on Issue 18, we
19 were talking about leaving the docket open, so we would
20 keep the recommendation -- change the recommendation to
21 leave it open for a period of -- which one?

22 **MS. AMES:** Currently this -- the docket is set
23 to be left open so we can continue to monitor the
24 recommended meter replacement program. That would have
25 been ten years, so that would now change to four based

1 on modifications. But I believe the recommendation is
2 to just leave it open.

3 **COMMISSIONER BROWN:** Thank you. Move approval
4 on Issue 10 -- I mean, 18.

5 **COMMISSIONER EDGAR:** Second.

6 **CHAIRMAN GRAHAM:** It's been moved and
7 seconded, staff recommendations on Issue 18.

8 Okay. We are done with that. We're not
9 adjourned. We still have Issue No. 8, which is a panel,
10 but I will be leaving. So I just want to -- I just want
11 to thank staff for your time and patience on today's
12 Agenda. I also want to thank you all for your pink
13 shirts and ties. I think it looks good, and I'm glad
14 that everybody is aware of the breast cancer awareness.
15 And with that, I will turn the gavel over to
16 Commissioner Brisé.

17 (Agenda item concluded.)
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1 STATE OF FLORIDA)
2 COUNTY OF LEON) : CERTIFICATE OF REPORTER

3
4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I
9 stenographically reported the said proceedings; that the
10 same has been transcribed under my direct supervision;
11 and that this transcript constitutes a true
12 transcription of my notes of said proceedings.

13 I FURTHER CERTIFY that I am not a relative,
14 employee, attorney or counsel of any of the parties, nor
15 am I a relative or employee of any of the parties'
16 attorney or counsel connected with the action, nor am I
17 financially interested in the action.

18 DATED THIS 22nd day of October, 2015.

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25


LINDA BOLES, CRR, RPR
FPSC Official Hearings Reporter
(850) 413-6734

Petition to Limit the Increase of Water Rates in Sumter County by Cedar Acres, Inc. Docket No. 140217 - WU

Petition summary and background	<p>Cedar Acres is requesting a rate increase "in order to recover the cost of operating the utility and allow the company to earn a fair rate of return on its investment." This is the company's first rate increase since coming under PSC jurisdiction in 2009. The Current Base Rate is \$9.00 + \$0.045 per 1,000 gallons. The PSC Staff Preliminary Recommended Rates would not have a Base Rate and we would be billed \$4.68 per 1,000 gallons. The average monthly water bill for a residential customer using 3,000 gallons is \$9.14, with a proposed increase to \$27.25, that would be 298.14% INCREASE & 2.98x current monthly bill;</p> <p>5,000 gallons is \$9.23, with a proposed increase to \$36.61, that would be 396.64% INCREASE & 3.97x current monthly bill;</p> <p>10,000 gallons is \$9.45, with a proposed increase to \$60.01, that would be 635.03% INCREASE & 6.35x current monthly bill.</p> <p>We understand that there needs to be a rate increase, however we are a small community of elderly and disabled residents on limited incomes and young families that are trying to establish themselves. Neither population can withstand such drastic amounts. The effects of such profound increases would financially paralyze and ultimately destroy established residents of Oakland Hills.</p>
Action petitioned for	<p>We, the undersigned, are concerned citizens and residents of Oakland Hills, who urge the Commissioners of the Florida Public Service Commission to act now to limit the proposed rate increases not to exceed any comparable rates for the same usage from a sample of similar service providers in our surrounding area of Citrus, Hernando, Lake, Marion or Sumter Counties.</p>

Printed Name	Signature	Address	Comment	Date
LEONA LOCEY	<i>Leona Locey</i>	8065 CR 109 FL LADY LAKE FL. ³²¹⁵⁹		8/5/2015 8/5/2015
NORMAN LOCEY	<i>Norman Locey</i>	8065 CR 109 B LADY LAKE FL. ³²¹⁵⁹		
RALPH TORRENS	<i>RJ</i>	13206 CR 109B2 LADY LAKE, FL		8/5/2015
Jewell Cairnes	<i>Jewell Cairnes</i>	13679 CR 109 B		8-18-15
Harold Cairnes	<i>Harold Cairnes</i>	13679 CR 109 B		8-18-15
TAMMY TORRENS		13706 CR 109B2 - Lady Lake, FL. 32159		10/5/15
JOHN KRULL	<i>John Krull</i>	13707 CR 109B2 - LL, FL. 32159		10/6/15
SUE KRULL	<i>S. Krull</i>	— Same		10/6/15
MIKE MANNING	<i>Mike Manning</i>	7647 CR 109D LADY LAKE 32159		10/10/15

Parties/Staff Handout
Internal Affairs/Agenda
 on 10/13/15
 Item No. 4

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Printed Name	Signature	Address	Comment	Date
Michael A Hicks	Michael A Hicks	OAKLAND HILLS 3662 C.R. 109D-3		6/5/15
DANE SIEGEL	Dane Siegel	8233 CR109B		6/6/15
JOHN GRAHAM	John Graham	13683 CR 109 D-3		7/6
Ruth Simon ds	Ruth Simon	13683 CR 109 D-3		7/6
Liliana S Pinto	Liliana S. Pinto	13766 CR 109 D-3		7/8
CARLOS A. PINTO	Carlos A. Pinto	13766 CR 109 D-3		7/8
DONALD GRESS	Donald Gress	13622 CR 109A		7/29
Barbara Gress	Barbara G. Gress	13622 CR 109A		7/29/15
Yvonne Wilkinson	YVONNE WILKINSON	7620 CR 109-G		10/7/15
LEANN CARLSON	Leann Carlson	7620 CR 109-G		10/7/15

**Petition to Limit the Increase of Water Rates in Sumter County by Cedar Acres, Inc.
Docket No. 140217 - WU**

Printed Name	Signature	Address	Comment	Date
SEAN PRATT	Jean Pratt	7602 CR. 109 G		09/6
NATHAN PRATT	Nathan Pratt	11 11 11 "		10/6
PAUL CAMP	Paul Camp	13915 109 D3		10-8
Betty Withem	Betty Withem	13915 CR 109 D3		10-8
Guinea Apollos	Guinea Apollos	13720 CR 109-4		10-10
MYRNA KINZEL	Smurkinzel	13721 CR 109 H		10-10
JOSEFA L. ORZA	José Orza	13721 CR 109 H		10-10
DANA JOHNSON	Jean Johnson	8124 CR 109 B		10-11/15
Charles Moyle	Charles Moyle	8124 CR 109 B		10/11/15
Kitty Duda	Kelly Duda	9042 - CR-109 B		10/11/15
DOROTHY A. BOEN	Dorothy A. Boen	7805 CR 109		10/11/15
Leona E. MOON	Leona E Moon	13564 CR 109 E1		10/11/15
MIKE BORDEN	Mike Borden	13650 CR 109 H		10/11/15

**Petition to Limit the Increase of Water Rates in Sumter County by Cedar Acres, Inc.
Docket No. 140217 - WU**

Printed Name	Signature	Address	Comment	Date
Harold C. Noate	Harold Noate	13571 CR 109 G-1	TOO HIGH AT 1 TIME	5/21/15
James Brand	James Brand	8208 CR 109 D-2	rate increase excessive	5/21/15
Gene Lutz	Gene A. Lutz	7665 CR 109 D	Too High	4/14/15
JERRIE DEAN	Jerie Dean	13707 CR 109 B-2	Too High increase	5/21/15
Jerri Wells Jerril Wells	Jerri Wells	7665 CR 109 D	water rate raises are excessive	
Donna Thorpe	Donna Thorpe	13680 CR 109 D-3	WATER RATE INCREASE	5/21/15
JOHN MARTIN	John Martin	8211 CR 109 D-1	Water Rate increase	5/21/15
Ginny Staffan	Ginny Staffan	7829 CR 109 E	Water increase	5/21/15
Dandra Galford	Dandra Galford	13557 CR 109 A	Too high increase	5/21/15
Donna M. Lutz	Donna M. Lutz	7592 County Road 109 E	To increase way too high	5/21/15
CAMILLA DOMBROSKI	Camilla Dombrski	13601 CR 109 G-1	Water increase is too high	5/21/15
M. Hamner Dorothy	Dorothy McHamner	13593 CR 109 H	" "	5/21/15
MIKE MOOREFIELD	Mike Moorefield	8223 CR 109 D-2	Rate increase too high	5-21-15
MARY LUCAS	Mary Lucas	8223 CR 109 D-2	Much too high increase	5-21-15
BETH BOURASSA	Beth Bourassa	7991 CR 109	Need to know exact amount of increase should be reasonable percent of increase	5-21-15

**Petition to Limit the Increase of Water Rates in Sumter County by Cedar Acres, Inc.
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Printed Name	Signature	Address	Comment	Date
FELIX LOPEZ	Felix Lopez	13702 CR 109 H		6/3/15
MARY ANN LOPEZ	Mary Ann Lopez	" "		6/3/15
Guinea Apollo	Guinea Apollo	13720 109-H		June 3rd 2015
Laura Stewart	Laura Stewart	7591 CR 109 G		6-3-15
Judy Swartz	Judy Swartz	13551 CR 109 H		6-3-15
Julian Swartz	Julian Swartz	13651 CR 109 H		6-3-15
Donna M. Luty McNamee and	Donna M. Luty McNamee	7592 County Road 109-E		8-20-15
Dorothy	Dorothy	3595 CR 109 H		8-20-15
Mary Ann Bristow	Mary Ann Bristow	7849 C.R. 109 Lady Lake		9-18-15
JAMES B. BRISTOW	James B. Bristow	7849 CR .109		9-18-15
Peter P Sullivan	Peter P Sullivan	13391 CR 109 F		9-24-15
RAE MANNING	Rae Manning	7647 CR 109 D Lady Lake FL 32159		9-25-15

02/15

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Printed Name	Signature	Address	Comment	Date
Edmond Kearney	<i>E. W. Kearney</i>	7647 CR 109 E ^{Lady Lake FL 32159}	Very Unfair Water Rates as Proposed	5/21/2015
Pamy Kearney	<i>P. L. Kearney</i>	7647 CR 109 E FL 32159 ^{Lady Lake}	Rates "Too" High	5/2/15
John Vroll	<i>J. Vroll</i>	13707 CR 109 B-2 ^{LL FL}	MAKE COMPARABLE TO OTHERS	5/21/15
Sue Vroll	<i>S. Vroll</i>	13707 CR 109 B-2 ^{LL FL}	MAKE COMPARABLE TO OTHERS	5/21/15
NEEDAN COLBURN	<i>NEEDAN COLBURN</i>	13662 CR 109 D-2	" " "	5/21/15
Carnie Colburn	<i>Cornie Colburn</i>	13662 CR 109 D-3	" " " " "	5/21/15
Diane Jacobs-Johnson	<i>Diane Jacobs-Johnson</i>	7886 CR 109 B ^{32159 LL FL}	Rates too High	5/21/15
CHARLES Imhoff	<i>Charles Imhoff</i>	8027 C.R. 109 D ^{LADY LAKE FL, 32159}	RECOMMENDED STATE RATES ARE WAY TO HIGH	5/21/15



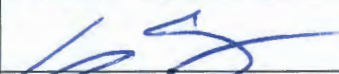
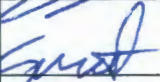

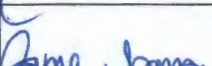
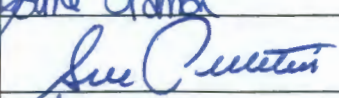
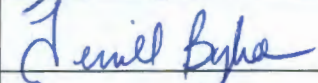
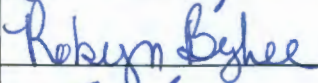
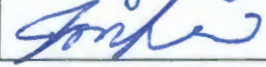
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Printed Name	Signature	Address	Comment	Date
MICHAEL DiPESA	<i>Michael DiPesa</i>	13552 CR 109E1		5/22/15
FRANCES DiPESA	<i>Frances DiPesa</i>	13552 CR 109E-1		5/22/15
BRIAN DiPESA	<i>Brian DiPesa</i>	13552 CR 109E-1		5/22/15
BRANDON HARTIGAN	<i>Brandon Hartigan</i>	13352 CR 109E1		5/22/15
LORI Crippen	<i>Lori Crippen</i>	13530 CR 109E-1		5/26/15
Robert Crippen	<i>Robert Crippen</i> PER <i>Lori Crippen</i>	13530 CR 109E-1		5/26/15
Debbie Closser	<i>Debbie Closser</i>	8021 CR 109B-		5/26/15
Karen M Kelley	<i>KAREN M. KELLEY</i>	13507 CR 109E-1		5/27/15
JERRY FOSGATE	<i>J. Fosgate</i>	13507 CR 109E-1		5/27/15
KINOLTT HUBBARD	<i>Linda Hubbard</i>	8007 CR 109B		5/29/15

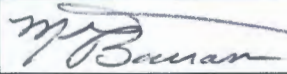
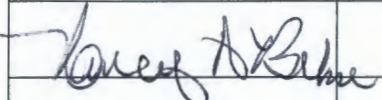
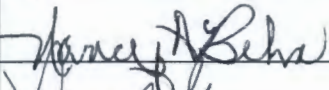
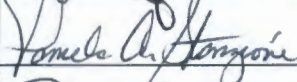
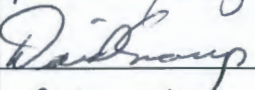
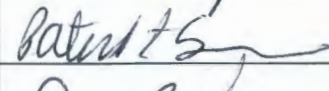
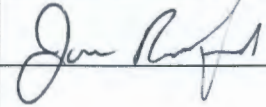
Petition to Limit the Increase of Water Rates in Sumter County by Cedar Acres, Inc. Docket No. 140217 - WU

Petition summary and background	<p>Cedar Acres is requesting a rate increase "in order to recover the cost of operating the utility and allow the company to earn a fair rate of return on its investment." This is the company's first rate increase since coming under PSC jurisdiction in 2009. The Current Base Rate is \$9.00 + \$0.045 per 1,000 gallons. The PSC Staff Preliminary Recommended Rates would not have a Base Rate and we would be billed \$4.68 per 1,000 gallons. The average monthly water bill for a residential customer using 3,000 gallons is \$9.14, with a proposed increase to \$27.25, that would be 298.14% INCREASE & 2.98x current monthly bill;</p> <p>5,000 gallons is \$9.23, with a proposed increase to \$36.61, that would be 396.64% INCREASE & 3.97x current monthly bill;</p> <p>10,000 gallons is \$9.45, with a proposed increase to \$60.01, that would be 635.03% INCREASE & 6.35x current monthly bill.</p> <p>We understand that there needs to be a rate increase, however we are a small community of elderly and disabled residents on limited incomes and young families that are trying to establish themselves. Neither population can withstand such drastic amounts. The effects of such profound increases would financially paralyze and ultimately destroy established residents of Oakland Hills.</p>
Action petitioned for	<p>We, the undersigned, are concerned citizens and residents of Oakland Hills, who urge the Commissioners of the Florida Public Service Commission to act now to limit the proposed rate increases not to exceed any comparable rates for the same usage from a sample of similar service providers in our surrounding area of Citrus, Hernando, Lake, Marion or Sumter Counties.</p>

Printed Name	Signature	Address	Comment	Date
Tim NICOLAS		13508 CR 109H		6-3-15
JAN NICOLAS		13508 CR 109H		6-3-15
Jason Sondels		13528 CR 109H		4-3-11
Wendy Sorensen		13602 CR 109H		6-3-15
ELLEN BORDEN		13650 CR 109H		6-3-15
Jaime Hanna		13650 CR 109H		6-3-15
Sue Pelletier		13668 CR 109H		6-3-15
Terrill Bybee		13669 C.R. 109 H		6-3-15
Robyn Bybee		13669 CR 109H		6-3-15
JOHN STEWART		13686 CR 109H		6-3-15

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Printed Name	Signature	Address	Comment	Date
MILTON BOURASSA		7991 CR 109 LADY LAKE FL		6-1-2015
JANEY A. BEHN				
NANCY A. BEHN		7838 CR 109 LADY LAKE FL		7-6-2015
PAMELA A. STANZIONE		7933 CR 109 F-1 LADY LAKE, FL		7/16/2015
DAVID MANGES		7823 C.R. 109 LADY LAKE		7-16
PATRICIA SORIANO		8394 CR 109A-1 LADY LAKE		8/5/15
JOE ROTCHFORD		7616 CR 109P LADY LAKE, FL		8/11/15

August 30, 2015

We are reading meters every other month. Please have your meter area cleaned out.

Thank you
Sincerely,
Cedar Acres, Inc

Parties/Staff Handout
Internal Affairs/Agenda
on 10/13/15
Item No. 4

DONNA LUTY
7592 CR 109 E
LADY LAKE, FL 32159

special message**

Please include a contact number for emergency notifications only, This information will not be shared with any party other than Cedar Acres Inc. only.

Name changes, address changes, meter questions
Artesian Water Treatment, Inc
352-589-0052

Please makes payable to
Cedar Acres, Inc
4700 Sheridan St
Suite N
Hollywood, FL 33021
954-963-2225

LOT	CURRENT	PRIOR	USAGE
292	3584180	3584180	0
June 26th-August 28th			
Meter Fee	\$9.00	\$18.00	
July & August Water Usage @ .000045		\$0.00	
	TOTAL DUE	\$18.00	
<i>paid \$18 on Mom's check # 35816 September 16, 2015</i>			

Cedar Acres Staff Assisted Rate Case Docket No. 140217-WU

Issue 1 - Quality of Service (pp. 4-5 of staff recommendation)

Issues of concern:

- Non-compliance with PSC regulations
- Non-compliance with Department of Environmental Protection regulations
- Failure to perform simple tasks to ensure customers receive water
- Repetitive billing issues

Office of Public Counsel's Recommendations:

- Reduction of Manager's salary by 10%
- Escrow operating ratio funds
- Require a Compliance Report in no less than 6 months showing:
 - Corrective measures taken to fix billing issues
 - Billing analysis
 - Compliance with PSC regulations
 - Compliance with Florida Department of Environmental regulations
 - Measures taken to address customer concerns/complaints

Parties/Staff Handout
Internal Affairs/Agenda
on 10 / 13 / 15
Item No. 4

Cedar Acres Staff Assisted Rate Case Docket No. 140217-WU

Issue 18 – Docket Closure (p. 36 of staff recommendation)

Given issues of concern under Issue 1, additional items for review under the open Docket should be:

- The escrow fund for the operating ratio funds
- The Compliance Report recommended under Issue 1

Cedar Acres Staff Assisted Rate Case Docket No. 140217-WU

Issue 9 – Rate Calculation - Repression (pp. 21-22 of staff recommendation)

Staff Recommended Revenue Increase 225.59%

Staff Recommended Repression Adjustment 29%

- Problem 1: Monthly Rates to be Billed Bi-Monthly

OPC Recommendation: Change Rates and Tariff to Bi-Monthly

- Problem 2: Consumption Levels Incorrect (Non-working and slow running meters; numerous billing errors & lack of management oversight)

OPC Recommendation: Management should timely replace meters & review billing data for irregularities prior to bills being mailed out

- Problem 3: Error in Repression Formula

OPC Recommendation: Reduce Price elasticity factor to negative .09 to generate a reasonable expectation of repression of 21%