

STATE OF FLORIDA



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Public Service Commission

August 12, 2015

Martin S. Friedman, Esquire
Friedman & Friedman, P.A.
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746

RECEIVED FPSC
15 AUG 12 PM 1:40
COMMISSION
CLERK

Re: Docket No. 150071-SU – Application for increase in Wastewater rates in Monroe County by K W Resort Utilities Corp.

Dear Mr. Friedman:

By this letter, the Commission staff requests that K W Resort (K W Resort or utility) provide responses to the following data requests.

1. The following items relate to the pro forma plant additions reflected on MFR Schedule A-3, lines 3-4.
 - a. Please provide at least three bids for all pro forma projects to be considered.
 - b. Please provide any invoices for completed work associated with all pro forma projects.
 - c. Please provide the start date and an estimated completion date of all pro forma projects.
 - d. Please provide the values of any plant retirements associated with all pro forma projects.
2. According to MFR Schedule B-3, page 1, line 19, the utility has proposed an increase of \$12,350 to contractual services – accounting. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the adjustment to contractual services - accounting.
3. According to MFR Schedule B-3, page 1, lines 21-24, the utility has proposed an increase of \$2,805 to contractual services – engineering, an \$1,862 increase to contractual services – accounting, a \$1,609 increase to contractual services – legal, and an \$8,488 increase to contractual services – other to reclassify expenses booked in deferred rate case expense in

error. Please provide all of the utility's calculations, basis, workpapers, and support documentation to support the adjustments to each account listed above.

4. According to MFR Schedule B-3, page 1, line 26, the utility has proposed an increase of \$11,678 to other deferred expenses to amortize the expenses incurred to restate 2007-2012 Annual Reports. Please provide justification for the amount of the expense incurred. Please state whether the Annual Report restatement was solely for Florida Public Service Commission Annual Reports. In addition, please provide all of the utility's calculations, basis, workpapers, and documentation to support the adjustment, including the amortization period.
5. According to MFR Schedule B-3, page 1, lines 32-44, the utility has proposed a pro forma increase of \$155,996 to salary & wages, \$42,762 to employee pension & benefits, \$109,334 to sludge disposal, \$42,900 to purchased power, \$224,741 to chemicals, \$4,730 to contractual services – engineering, \$20,673 to contractual services – testing, \$28,557 to contractual services – other, \$2,752 to general liability insurance, \$25,555 to workman's comp insurance, and \$9,638 to miscellaneous expense due to changes in operations due to the upgrade to AWT standards. The utility has also proposed a pro forma decrease of \$1,564 to advertising expense. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the pro forma adjustments to each account listed above.
6. According to MFR Schedule B-3, line 47, the utility has proposed a pro forma increase of \$103,917 to miscellaneous expense to amortize legal fees for Last Stand and George Halloran v. Florida Department of Environmental Protection and Key West Resort Utilities Corporation. The following items relate to this expense.
 - a. Please provide justification for the inclusion of these litigation fees in Operation & Maintenance (O&M) expenses.
 - b. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the pro forma adjustment to miscellaneous expense.
 - c. Please detail the status of the litigation and include an estimated timeline for the conclusion of litigation.
 - d. Please state how the utility will determine the bearer of the litigation costs for Last Stand and George Halloran v. Florida Department of Environmental Protection and Key West Resort Utilities Corporation in light of either, a ruling in favor of the utility or a ruling in favor of Last Stand.
7. According to MFR Schedule B-6, line 5, sludge removal expense increased substantially in March 2014 and May 2014 when compared to other months. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the increases in sludge removal expense.
8. According to MFR Schedule B-6, line 8, chemical expense increased substantially in April 2014 and July 2014 when compared to other months. Please provide all of the

utility's calculations, basis, workpapers, and support documentation for the increases in chemical expense.

9. According to MFR Schedule B-6, line 10, contractual services - engineering increased substantially in January 2014 and February 2014 when compared to other months. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the increases in contractual services - engineering.
10. According to MFR Schedule B-6, line 11, contractual services - accounting increased substantially in July 2014, September 2014, November 2014, and December 2014 when compared to other months. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the increase in contractual services - accounting.
11. According to MFR Schedule B-6, line 15, contractual services - other increased substantially in February 2014, August 2014, and December 2014 when compared to other months. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the increase in contractual services - other.
12. According to MFR Schedule B-6, line 18, transportation expense increased substantially in November 2014 and December 2014 when compared to other months. Please provide all of the utility's calculations, basis, workpapers, and support documentation for the increases in transportation expense.
13. The utility asserts that it has replaced contractual services with full-time employees since its last rate case. The following questions relate to the utility's test year expenses for employees and contractual services.
 - a. Please provide justification for switching the utility's operations from solely contractual services to a combination of full-time employees and contractual services.
 - b. Has the utility realized any cost savings as a result of switching the operations from solely contractual services to a combination of full-time employees and contractual services from December 31, 2009 to December 31, 2014? If so, what was the amount? In this response, please provide all of the utility's calculations, basis, workpapers, and support documentation for the amount of savings. If no savings were achieved, please explain why, and state what the resulting incremental increase of O&M expenses have been from December 31, 2009 to December 31, 2014.
 - c. Please provide a specific breakdown of each position, including employees, officers, and/or directors, by job title/description and compensation for each of the past three years.
 - d. Has the utility previously commissioned an operational audit or does it plan to in the near future?

- e. In light of the utility replacing contractual services with full-time employees since the last rate case, please provide a description of the services provided by the vendors in contractual services-accounting along with justification for the increase in this expense since the utility's last rate case.
 - f. In light of the utility replacing contractual services with full-time employees since the last rate case, please provide a description of the services provided by the vendors in contractual services-management along with justification for the increase in this expense since the last rate case.
 - g. Did the utility adjust salaries and wages to account for in-house labor that was capitalized due to work on pro forma plant additions? If so, please provide all documentation related to capitalized labor expense.
14. According to MFR Schedule B-9, there were six different consultants that performed outside services for the utility during the test year. The following items relate to these services.
- a. Please provide any invoice over \$1,000 incurred for each of the six consultants.
 - b. Please explain the reason for the recalculation of accumulated depreciation and restatement of CIAC by Milian, Swain & Associates, Inc. Was the expense associated with these services amortized?
15. The following questions refer to the utility's requested rate case expense on MFR Schedule B-10.
- a. For each individual person, in each firm providing consulting services to the utility in this docket, provide the billing rate, and an itemized description of work performed. Please provide detail of hours worked associated with each activity. Also provide a description and associated cost for all expenses incurred to date.
 - b. For each firm or consultant providing services for the utility in this docket, please provide copies of all invoices for services provided to date.
 - c. If rate consultant invoices are not broken down by hour, please provide revised consultant invoices that detail by hour, a description of actual duties performed, and amount incurred to date.
 - d. Please provide an estimate of costs and hours to complete the case, for each consultant or employee, including a description of estimated work to be performed, and detail of the estimated remaining expense to be incurred through the PAA process.
 - e. Please provide an itemized list of all other costs estimated to be incurred through the PAA process.

16. Please provide a copy of the utility's application for wastewater service or respond with "not applicable" if the utility does not require an application for new customers.
17. Please provide an example of the utility's customer bill that is consistent with Rule 25-30.335, Florida Administrative Code (F.A.C).
18. Please provide a detail of what revenues are collected and included in other sewer revenues – Account 536.
19. The utility's current approved flat rate for Safe Harbor Marina is \$917.11 according to Sheet No. 15.5. The utility included a flat rate charge for Stock Island Marina of \$1,665.03 on MFR Schedule E-1. Please provide an explanation of the differences in charges, how the \$1,665.03 rate was determined, and the date when the change in rate occurred.
20. Please provide a description of how the utility determined the proposed rates for the Stock Island Marina. If the wastewater rates are associated with the marina's water usage, please provide a description of how that usage was determined.
21. Please provide a description of the basis the utility used to determine the proposed reclaimed water rates.
22. Please provide a description of the basis the utility used to determine the proposed rates for the K W Gulf Club HOA large and small swimming pools.
23. Please provide a description of the basis the utility used to determine the proposed dewatering sludge loads rates. Additionally, please describe how the utility would determine the amount of sludge that is introduced into the wastewater system.
24. Please provide a description of how the utility determined the current initial customer deposit.
25. Section 367.091(6), Florida Statutes, requires cost justification to amend rates or charges other than monthly service rates or service availability charges. Please provide cost justification for the utility's requested increase in initial connection, normal reconnection, and premise visit charges. Below are some examples of costs that may be recovered through miscellaneous service charges.
 - a. Office costs associated with recoding and processing a customer request for service, including labor, computer service, and postage.
 - b. Office costs associated with receiving, recording and processing the subsequent customer request for termination of service and final bill, including labor, computer services, and postage.
 - c. Field costs associated with the inspection of a facility and connection of service, including transportation, labor, and meter reading expense.

- d. Field costs associated with disconnection of service, including transportation, labor, and meter reading expense.
 - e. Overhead costs directly related to a specific job, including a portion of general office facilities and equipment, supervision, insurance, and small miscellaneous expenses required to support service activities.
26. Rule 25-30.460(2), F.A.C., states "A utility may request an additional charge ("after hours charge") for overtime when the customer requests that the service be performed after normal hours. The after-hours charge may be at the same rate specified for the existing charge during normal working hours. If the utility seeks a charge other than the normal working hours charge, the utility must file cost support. (emphasis added) Please provide a breakdown of costs included in the utility's requested "after hours charge" for miscellaneous service charges for each type of charge (i.e. initial connection, normal reconnection, and premise visit charges).
27. The \$5,170 amount shown for initial connection charges in MFR Schedule E-5 does not correspond to the currently approved \$15.00 amount per occurrence. Please reconcile the total amount of miscellaneous revenues the utility collected for initial connection charges to the currently approved \$15.00 amount and provide a description of the basis for all charges other than the \$15.00 per occurrence.
28. Please provide staff with a cost justification for the utility's requested late payment charge. The cost justification should be in the format shown below:

| LATE PAYMENT CHARGE CALCULATION | | |
|--|--|--|
| 1. | Average number of delinquent accounts per month. | |
| 2. | Average number of customer accounts per month. | |
| 3. | Percent of delinquent accounts per month. | |
| 4. | Number of minutes per month spent processing late payment notices. | |
| 5. | Number of minutes per notice. | |
| 6. | Hourly salary of the employee processing late payment notices. | |
| 7. | Labor cost per notice. | |
| 8. | Printing cost per notice (paper and ink). | |
| 9. | Postage cost per notice. | |
| Total Late Payment Charge | | |

29. Rule 25-30.440(6), F.A.C., requires all health department and Department of Environmental Protection (DEP) construction and operating permits. The Utility

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submitted operating permits, but no construction permits. Please provide any active health department and DEP construction permits.

30. Please refer to the Discharge Monitoring Reports (DMRs).

- a. For the DMR dated February 2014, the fourth page of part A and both pages of part B reflect a monitoring period of February 1, 2013 to February 28, 2013. Please provide these pages of the DMR for February 2014. If the DMR is not available, please explain why.
- b. For the DMR dated May 2014, the first page of part B indicates total flows of 13.821 MGD. This number is not supported by the daily flows provided. Please provide the corrected first page of part B of the DMR for May 2014.
 - i. Please provide an updated MFR Schedule F-2 which shows the correct flows for May 2014 and the total.

Please provide responses to the above requests for data no later than September 14, 2015.

Sincerely,



Amber M. Norris
Public Utilities Supervisor

AMN/dm

cc: Division of Accounting & Finance (Fletcher, Norris, Monroe)
Division of Engineering (King, Hill)
Division of Economics (Daniel, Hudson)
Office of General Counsel (Barrera)
Office of Commission Clerk (Docket No. 150071-SU)