

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: August 13, 2015

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Monroe, Norris)
Division of Economics (Thompson) *ALM*
Division of Engineering (Hill, King) *Bo MB*
Office of the General Counsel (Barrera) *MB*

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

AGENDA: 08/27/15 – Regular Agenda Decision on Suspension of Rates – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: 08/30/15 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

K W Resort Utilities Corp. (K W Resort or utility) is a Class A utility providing wastewater services to approximately 2,061 customers in Monroe County. Wastewater rates were last established for this utility in its 2007 rate case.¹

On July 1, 2015, K W Resort filed its application for the rate increase at issue in the instant docket. On July 30, 2015, staff sent K W Resort a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). Corrections to the MFRs are due no later than August 31, 2015. The utility requested that the application be processed using the Proposed Agency Action

¹ Order No. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

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(PAA) procedure and did not request interim rates. The test year that will be used to establish final rates is the 13-month-average period ended December 31, 2014. K W Resort contends that its earnings are outside its authorized range of return on equity. The utility is requesting an increase to recover all expenses it will incur in order to generate a fair rate of return on its investment, including the requested pro forma plant improvements. K W Resort is requesting final rates designed to generate annual revenues of \$2,931,759. This represents a revenue increase of \$1,438,382 (96.3 percent).

The 60-day statutory deadline for the Commission to suspend the utility's requested final rates is August 30, 2015. This recommendation addresses the suspension of K W Resort's requested final rates. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the utility's proposed final wastewater rates be suspended?

Recommendation: Yes. K W Resort's proposed final wastewater rates should be suspended. (Monroe)

Staff Analysis: Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing (1) if the Commission has not acted upon the requested rate increase or (2) if the Commission's PAA action is protested by a party other than the utility. It should be noted that, because the utility's MFRs in this docket are deficient, an official filing date has not been set. The MFR corrections are due August 31, 2015.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff recommends that further investigation of this information, including on-site investigation by Commission staff, is necessary. To date, staff has initiated an audit of K W Resort's books and records. The audit is tentatively due on September 8, 2015. In addition, staff sent a data request to K W Resort on August 12, 2015, and the response is due September 14, 2015. Further, staff believes additional requests will be necessary to process this case. Based on the foregoing, staff recommends that the utility's proposed final rate increase be suspended.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's PAA decision on the utility's requested rate increase. (Barrera)

Staff Analysis: The docket should remain open pending the Commission's PAA decision on the utility's requested rate increase.