

FLORIDA PUBLIC SERVICE COMMISSION

Item 5

VOTE SHEET

FILED MAR 01, 2016  
DOCUMENT NO. 01094-16  
FPSC - COMMISSION CLERK

March 1, 2016

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

**Issue 1:** Is the quality of service provided by K W Resort satisfactory?

**Recommendation:** Yes. Staff recommends that the quality of K W Resort’s product and the condition of the wastewater treatment facilities is satisfactory. It appears that the Utility has attempted to address customers’ concerns. Therefore, staff recommends that the overall quality of service for the K W Resort wastewater system in Monroe County is satisfactory.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

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**REMARKS/DISSENTING COMMENTS:**

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

(Continued from previous page)

**Issue 2:** Should the audit adjustments to rate base to which the Utility and staff agree be made?

**Recommendation:** Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base as set forth in the analysis portion of staff's memorandum dated February 18, 2016.

**APPROVED**

**Issue 3:** Should any adjustments be made to the Utility's pro forma plant?

**Recommendation:** Yes. Pro forma plant should be decreased by \$3,574,468 in Phase I. Corresponding adjustments should be made to decrease accumulated depreciation by \$196,281 and depreciation expense by \$196,281. Additionally, pro forma property taxes should be decreased by \$35,696.

**APPROVED**

**Issue 4:** What are the used and useful (U&U) percentages of the Utility's wastewater treatment plant and wastewater collection system?

**Recommendation:** For Phase I rates, K W Resort's wastewater treatment plant and collection system should be considered 100 percent U&U. For Phase II rates, K W Resort's wastewater treatment plant should be considered 72 percent U&U and the wastewater collection system should be considered 100 percent U&U. No adjustments should be made for excessive infiltration and inflow (I&I).

**APPROVED**

*Consistent with vote on Issues 3 and 16.*

**Issue 5:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance for Phase I is \$721,268. As such, the working capital allowance for Phase I should be decreased by \$645,964.

**APPROVED**

*with addition of language provided at Commission Conference this date, from Monroe County (see attached).*

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

(Continued from previous page)

**Issue 6:** What is the appropriate rate base for the test year period ended December 31, 2014?

**Recommendation:** Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2014, is \$37,710 for Phase I.

**APPROVED**

**Issue 7:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate allowed return on equity (ROE) is 11.16 percent with a range of plus or minus 100 basis points.

**APPROVED**

**Issue 8:** What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2014?

**Recommendation:** The appropriate weighted average cost of capital for Phase I is 4.98 percent for the test year ended December 31, 2014.

**APPROVED**

**Issue 9:** What is the appropriate amount of test year revenues for K W Resort's wastewater system?

**Recommendation:** The appropriate test year revenues for K W Resort's wastewater system are \$1,554,861.

**APPROVED**

Vote Sheet

March 1, 2016

Item 5

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

(Continued from previous page)

**Issue 10:** Should the audit adjustments to operating expense to which the Utility and staff agree be made?

**Recommendation:** Yes. Based on the audit adjustments agreed to by K W Resort and staff, the following adjustments should be made to operating expense as set forth in staff's analysis below.

**APPROVED**

**Issue 11:** Should any adjustments be made to the Utility's pro forma expenses?

**Recommendation:** Yes. Pro forma O&M expense should be decreased by \$10,028. A corresponding adjustment should be made to increase pro forma payroll taxes by \$1,875.

**APPROVED**

**Issue 12:** Should K W Resort's test year expenses be adjusted for management fees charged by Green Fairways?

**Recommendation:** Yes. Contractual services-management expense should be decreased by \$60,000.

**APPROVED**

**Issue 13:** Should further adjustments be made to the Utility's O&M expense?

**Recommendation:** Yes. The O&M expense for the test year should be decreased by \$13,003.

**APPROVED**

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

(Continued from previous page)

**Issue 14:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$152,021. This expense should be recovered over four years for an annual expense of \$38,005. Therefore, annual rate case expense should be increased by \$6,805 from the respective levels of expense included in the MFRs.

**APPROVED**

**Issue 15:** What is the appropriate Phase I revenue requirement for the test year ended December 31, 2014?

**Recommendation:** Staff recommends the following revenue requirement be approved.

<b>Test Year Revenue</b>	<b>\$ Increase</b>	<b>Revenue Requirement</b>	<b>% Increase</b>
\$1,554,861	\$683,185	\$2,238,046	43.94%

**APPROVED**

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

(Continued from previous page)

**Issue 16:** Should the Commission approve a Phase II increase for pro forma items for K W Resort?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The Utility's Phase II revenue requirement is \$2,485,904, which equates to an 11.07 percent increase over the Phase I revenue requirement.

Implementation of the Phase II rates is conditioned upon K W Resort completing the pro forma items within 12 months of the issuance of the Final Order. The Utility should be allowed to implement the rates recommended on Schedule No. 8 of staff's memorandum dated February 18, 2016, once all pro forma items have been completed and the DEP has issued its approval for the expansion project to go into service. Once verified by staff, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. K W Resort should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma plant items, the Utility should immediately notify the Commission, in writing, in advance of the deadline, so as to allow the Commission ample time to consider an extension.

Further, staff recommends that the Utility be required to submit a copy of the final invoices and support documentation for the pro forma plant items within 60 days of the in-service date. In addition, the Utility should submit documentation of all CIAC that has been collected since the test year. If the actual costs are greater than the recommended Phase II amounts, the Utility should be afforded the opportunity to request an additional increase, in writing, which the Commission should consider. If the actual costs are less than the recommended amounts, staff will file a subsequent recommendation to address the appropriate action to be undertaken.

**APPROVED** as modified. Phase II plant in-service date rather than DEP approval date for rate implementation date.

**Issue 17:** What are the appropriate rate structures and rates for K W Resort's wastewater system?

**Recommendation:** The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4 of staff's memorandum dated February 18, 2016. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates and discontinuance of reading customer meters. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED** as modified, to include Utility's new billing analysis as discussed at Commission Conference this date.

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

(Continued from previous page)

**Issue 18:** What is the appropriate rate for K W Resort's reuse service?

**Recommendation:** The appropriate rate for K W Resort's reuse service is \$0.93 per 1,000 gallons. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED**

**Issue 19:** Should K W Resort's requested miscellaneous service charges be approved?

**Recommendation:** No. K W Resort's requested miscellaneous service charges should not be approved. However, staff recommends that the miscellaneous service charges shown in Table 19-4 of staff's memorandum dated February 18, 2016, are appropriate and should be approved if K W files a revised tariff. K W Resort should be required to file a proposed customer notice and tariff to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**APPROVED**

**Issue 20:** Should K W Resort be authorized to collect Non-Sufficient Funds (NSF) charges?

**Recommendation:** Yes. K W Resort should be authorized to collect NSF charges for both systems. Staff recommends that K W Resort revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice.

**APPROVED**

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

(Continued from previous page)

**Issue 21:** Should K W Resort’s request to implement a \$9.50 late payment charge be approved?

**Recommendation:** No. K W Resort’s request to implement a \$9.50 late payment charge should not be approved. However, staff’s recommended charge of \$6.50 should be approved if the Utility files a revised tariff. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**APPROVED**

**Issue 22:** Should K W be authorized to collect a Lift Station Cleaning charge?

**Recommendation:** Yes. K W Resort should be authorized to collect a monthly lift station cleaning charge for the Monroe County Detention Center (MCDC) of \$1,462. K W Resort should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**APPROVED**

**Issue 23:** Should the Utility’s approved service availability policy and charges be revised?

**Recommendation:** Yes. K W Resort should be authorized to collect a water main extension charge or receive donated lines from future connections. However, the Utility should no longer be authorized to collect a plant capacity charge consistent with the guidelines set forth in Rule 25-30.580, F.A.C. K W Resort should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**APPROVED**

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

(Continued from previous page)

**Issue 24:** What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

**Recommendation:** The wastewater rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated February 18, 2016, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. K W Resort should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

**APPROVED**

**Issue 25:** Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

**Recommendation:** Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. K W Resort should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

**APPROVED**

Vote Sheet

March 1, 2016

Item 5

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

(Continued from previous page)

**Issue 26:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the outstanding Phase I pro forma items have been completed, the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, the docket should remain open to allow staff to verify that the Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

**APPROVED**

## KWRU Rate Application

1. Issue 5, p. 14 ("Appropriate working capital allowance"): The Staff Recommendation includes the following statement:

"In its response to Audit Request No. 17, the Utility clarified that the agreement with Monroe County was to end after 1,500 equivalent residential units had been collected and paid to Monroe County. As such, the account was closed on March 15, 2015, once the quota was met."

This statement is not correct. Capacity reservation fees have *not* been collected from all 1,500 EDUs.

The Utility and the County have therefore agreed that the Utility will ask the PSC to receive the following corrected information:

Issue 5: KWRU would like to clarify the following. In 2002, Monroe County and the Utility entered into an agreement whereby the County purchased 1500 equivalent dwelling units (EDUs) from the Utility in exchange for installing collection systems for a cost not to exceed \$4.6 million dollars. In return, the Utility agreed to repay a portion of the funds by collecting capacity reservation fees and remitting the fees to the County. Not all of the 1500 EDUs have been collected and paid to Monroe County. Out of the 1500 EDUs, approximately 840 have been collected or are on tax rolls. The capacity reservation fees for the remaining EDUs (approximately 660) still need to be collected. The County's intention is to place all of these remaining EDUs on the tax roll in 2016. Not all of the 1500 EDUs have connected. KWRU will not receive any additional assessments from the remaining EDUs, but will receive revenue from the unconnected customers once connected for monthly service.

2. Issue 16, p. 39 ("Phase II increase"): The Staff Recommendation includes the following statement:

"The Utility should be allowed to implement the rates recommended on Schedule No. 8 once all pro forma items have been completed