

FLORIDA PUBLIC SERVICE COMMISSION

Item 11

VOTE SHEET

February 7, 2017

FILED FEB 07, 2017
DOCUMENT NO. 01557-17
FPSC - COMMISSION CLERK

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

Issue 1: DROPPED.

Issue 2: Is a two-phased revenue requirement calculation appropriate in this docket?
Recommendation: No, a two-phased revenue requirement is not appropriate.

APPROVED

COMMISSIONERS ASSIGNED: **Brown, Graham, Patronis**

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink]

REMARKS/DISSENTING COMMENTS: Oral Modification, assigned DN 01425-17, is attached.

Staff given administrative authority to make fallout adjustments.

(Continued from previous page)

Issue 3: What is the appropriate test year for establishing rates for KWRU?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Staff recommends that adjusting the Utility's 2014 test year based on known and measurable information is reasonable and appropriate to determine a revenue requirement and rates that are representative of KWRU's current operations.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 4: Is the quality of service provided by KWRU satisfactory?

Recommendation: Yes. Staff recommends that the quality of KWRU'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 KWRU wastewater system in Monroe County is satisfactory.

APPROVED

Issue 5: What adjustments, if any, should be made to account for the audit adjustments to rate base in each of Staff's Audit Findings 1 through 7? (Partially stipulated)

Recommendation: The Utility's updated filing reflects the audit adjustments to rate base included in staff's Audit Findings 1 through 7. Therefore, no further adjustments are necessary.

APPROVED

(Continued from previous page)

Issue 6: What is the appropriate amount of plant in service to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate test year balance of plant in service is \$16,011,903. Accordingly, plant in service should be decreased by \$381,738.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 7: What is the appropriate amount of accumulated depreciation to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate balance of accumulated depreciation to be used in setting rates is \$6,620,259. Accordingly, accumulated depreciation should be increased by \$548,574.

- A. As addressed in Issue 2, Phase I, is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 8: What is the appropriate amount of CIAC to be used in determining the rate base that is used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of contributions-in-aid-of-construction (CIAC) to be used in setting rates is \$10,021,909. Accordingly, CIAC should be increased by \$372,032.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

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

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Issue 9: What is the appropriate amount of accumulated amortization of CIAC to be used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of accumulated amortization of CIAC to be used in setting rates is \$3,748,595. Accordingly, accumulated amortization of CIAC should be increased by \$733,654.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 10: What is the appropriate amount of construction work in progress (CWIP) to be used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Consistent with previously recommended plant adjustments, the appropriate amount of CWIP to be used for setting rates is \$0, as the plant improvements are included in staff's recommended plant in service total.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 11: What is the used and useful (U&U) percentage of the Utility's wastewater treatment plant after the treatment plant expansion is placed into service?

Recommendation: The wastewater treatment plant should be considered 71.5 percent used and useful based upon a projected demand of 0.606 million gallons per day (MGD) in 2021. To reflect the appropriate U&U percentage, staff recommends that the appropriate non-used and useful reduction to rate base is \$1,440,804. Corresponding adjustments should be made to decrease net depreciation expense and property taxes by \$117,138 and \$10,526, respectively.

APPROVED

(Continued from previous page)

Issue 12: What is the appropriate working capital allowance?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate working capital allowance is \$923,671. Accordingly, working capital should be decreased by \$534,599.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 13: What is the appropriate rate base? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$2,601,197.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 14: What is the appropriate capital structure to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amounts of long-term debt, equity, and customer deposits to include in the capital structure are \$3,500,000, \$1,765,366, and \$162,972, respectively.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

(Continued from previous page)

Issue 15: What is the appropriate return on equity? (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Based on the Commission leverage formula currently in effect and an equity ratio of 33.53 percent, the appropriate return on equity (ROE) is 11.16 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 16: What is the appropriate cost of long-term debt?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate cost rate for long-term debt is 4.00 percent.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 17: 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 period? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 6.12 percent.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

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(Continued from previous page)

Issue 18: Should the members of Harbor Shores Condominium Unit Owners Association, Inc. (Harbor Shores) be classified as Residential customers or a General Service customer?

Recommendation: Staff recommends that Harbor Shores be classified as a general service customer, but should continue to be billed a base facility charge (BFC) based on 69 equivalent residential connections (ERCs) and a gallonage charge with a 10,000 gallon cap per ERC.

APPROVED

Issue 19: What are the appropriate bills and gallons to use to establish test year revenues and rates? (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate bills and gallons to use to establish test year revenue and rates are reflected in Stipulation 9, which addresses test year revenues.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 20: What is the appropriate amount of miscellaneous revenues to be included in test year revenues and rates? (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of miscellaneous revenues to be included in test year revenue and rates is \$72,619, as reflected in Stipulation 9 which addresses test year revenues.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

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Issue 21: What is the appropriate amount of test year revenues for KWRU's wastewater system? (Fall-out) (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of test year revenues are \$1,534,799, as reflected in Stipulation 9. Accordingly, KWRU's reflected test year revenues of \$1,554,861 should be reduced by \$20,062.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 22: What adjustments, if any, should be made to account for the audit adjustments in each of Staff's Audit Findings 3, 4, 5, 10, and 11 to operating expenses? (Stipulations 3, 4, 5, and 10)

Approved Stipulations: O&M expenses (contractual services-other) should be increased by \$1,200 for survey fees based on the Staff Audit Finding 3. Test year amortization of CIAC should be decreased by \$14,003 based on Staff Audit Finding 4. Depreciation expense should be decreased by \$5,489, based on Staff Audit Finding 5. O&M expenses should be decreased by \$4,512, based on Staff Audit Finding 10 and \$6,276, based on Staff Audit Finding 11. The stipulated adjustments to operating expenses are set forth in Table 22 below.

Table 22-1

Stipulated Adjustments to Operating Expense

Stip.	Audit Finding	O&M Expense	Depreciation Expense	CIAC Amortization Expense	Total
3	3	\$1,200	\$0	\$0	\$1,200
4	4	0	0	14,003	14,003
5	5	0	(5,489)	0	(5,489)
10	10	(4,512)	0	0	(4,512)
10	11	(6,276)	0	0	(6,276)
	Total	(\$9,588)	(\$5,489)	\$14,003	(\$1,074)

APPROVED

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Issue 23: What are the appropriate annual levels of O&M expenses for implementing advanced wastewater treatment (AWT)?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate level of O&M expenses to reflect the implementation of AWT operations is \$1,647,853. Accordingly, pro forma O&M expense should be decreased by \$341,471.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 24: What adjustments, if any, should be made to pro forma contractual services accounting and engineering fees?

Recommendation: Contractual services-accounting expense should be decreased by \$12,350. No adjustment is necessary for contractual services-engineering expense.

APPROVED

Issue 25: What adjustment, if any, should be made to KWRU's test year expenses for management fees charged by Green Fairways?

Recommendation: Contractual services-management expense should be reduced by \$60,000, as it is duplicative in nature.

APPROVED

(Continued from previous page)

Issue 26: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$430,828. This expense should be amortized over four years for an annual expense of \$107,707. Based on the Utility's updated filing, the annual amortization of rate case expense should be increased by \$9,045.

APPROVED

Issue 27: What is the appropriate amount and accounting treatment of accounting fees incurred by the utility to restate its 2007 to 2012 Annual Reports?

Recommendation: The Utility's requested 5-year amortization of \$63,055 for restatement of the 2007 to 2012 Annual Reports should be disallowed. Staff's adjustments to reflect annualized 2016 levels in Issue 23 effectively negated all test year adjustments; therefore, no further adjustment is necessary.

APPROVED

Issue 28: What is the appropriate amount and accounting treatment of fees associated with the legal challenge of KWRU's FDEP Permit Numbers FLA014951-012-DWIP, 18490-020, and 18490-021 for rate-setting purposes?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of fees associated with the legal challenge of KWRU's DEP permits is \$496,973, and it should be amortized over five years. The five-year amortization results in test year expense of \$99,395, which increases the requested amortization amount by \$3,908.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

(Continued from previous page)

Issue 29: What is the appropriate amount of depreciation expense to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of depreciation expense should be \$222,726. Accordingly, depreciation expense should be decreased by \$156,229.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 30: What is the appropriate amount of taxes other than income to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of taxes other than income (TOTI) should be \$199,457. Accordingly, TOTI should be decreased by \$50,884.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

Issue 31: What is the appropriate revenue requirement? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The revenue requirement should be \$2,436,418.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

APPROVED

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

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Issue 32: What are the appropriate rate structures and rates for KWRU's wastewater system?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4 of staff's memorandum dated January 26, 2017.

APPROVED

Issue 33: What is the appropriate rate for KWRU's reuse service?

Recommendation: The appropriate rate for KWRU's reuse service is \$1.34 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 34: What are the appropriate miscellaneous service charges to be charged by KWRU?

Recommendation: Staff recommends the miscellaneous service charges shown in Table 34-7 of staff's memorandum dated January 26, 2017, should be approved for KWRU. The Utility 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), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. KWRU 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.

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Issue 35: Should KWRU be authorized to collect Non-Sufficient Funds (NSF) charges? (Stipulation 11)

Approved Stipulation: As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- a. \$25, if the face value does not exceed \$50,
- b. \$30, if the face value exceeds \$50 but does not exceed \$300,
- c. \$40, if the face value exceeds \$300,
- d. Or five percent of the face amount of the check, whichever is greater.

APPROVED

Issue 36: Should KWRU request to implement a late payment charge be approved? *\$7.15*

Recommendation: The Utility's request to implement a late payment charge of ~~\$9.50~~ should be approved. 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.

MODIFIED *as discussed at Commission Conference
this date.*

Issue 37: Should KWRU be authorized to collect a Lift Station Cleaning charge? (Stipulation 12)

Approved Stipulation: KWRU should be authorized to collect a monthly lift station cleaning charge of \$1,462 from the Monroe County Detention Center.

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 38: If the Commission approves a rate increase for KWRU, when and under what circumstances should it be implemented?

Recommendation: 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 39: Should any portion of the implemented PAA rates be refunded? If so, how should the refund be calculated, and what is the amount of the refund?

Recommendation: Yes. The proper refund amount should be calculated by using the same data used to establish final rates, excluding adjustments that do not relate to the period that PAA rates are in effect. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in a PAA refund of 7.43 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, all security funds in excess of any required refund should be released to the Utility. If a refund is ordered, upon staff's verification that the refunds have been made, any remaining funds should be released to the Utility.

APPROVED

Issue 40: Should the Utility's approved service availability policy and charges be revised? (Stipulation 14)

Approved Stipulation: The appropriate plant capacity charge should remain unchanged at \$2,700 per ERC.

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 41: DROPPED.

Issue 42: Did KWRU bill and collect revenues in accordance with its approved tariffs? If not, what is the appropriate remedy?

Recommendation: Staff recommends that a new docket be opened, and a full audit and investigation be conducted in regards to KWRU's billing practices in order to determine if any orders, rules, or statutes were violated by the Utility. Further, the Utility should be put on notice that failure to comply with Commission orders, rules, or statutes will subject the Utility to show cause proceedings and fines of up to \$5,000 per day per violation for each day the violation continues or revocation of its certificate as set forth in Section 367.161, F.S.

APPROVED

Issue 43: 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: KWRU's wastewater rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated January 26, 2017, to remove \$112,782 of wastewater rate case expense, grossed up for RAFs, which is being 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. KWRU 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 KWRU 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

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

(Continued from previous page)

Issue 44: 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? (Stipulation 16)

Approved Stipulation: KWRU shall notify the Commission, within 90 days of the order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts associated with the Commission-approved adjustments.

APPROVED

Issue 45: Should this docket be closed?

Recommendation: No. This docket should remain open for staff's verification that the Utility has completed the recommended refunds, the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that KWRU has notified the Commission in writing that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

APPROVED

Ashley Quick

From: Kate Hamrick
Sent: Friday, February 03, 2017 3:42 PM
To: CLK - Agenda Staff; Cindy Muir
Subject: FW: APPROVED Request for Oral Modification to Item 11 on the February 7, 2017 Commission Conference, Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Please see approved – Request to Make Oral Modification for Item 11 – Docket No. 150071-SU – KW SARC

Thank you,

Kate Hamrick
Executive Assistant to
Mark Futrell
Deputy Executive Director: Technical
Florida Public Service Commission
850-413-6304

From: Mark Futrell
Sent: Friday, February 03, 2017 3:33 PM
To: Cheryl Bulecza-Banks; Kate Hamrick
Cc: Braulio Baez; Andrew Maurey; Kathy Shoaf; Kyesha Mapp; Mary Anne Helton; Keith Hetrick
Subject: RE: Request for Oral Modification to Item 11 on the February 7, 2017 Commission Conference, Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Approved.

From: Cheryl Bulecza-Banks
Sent: Friday, February 03, 2017 3:13 PM
To: Kate Hamrick
Cc: Braulio Baez; Mark Futrell; Andrew Maurey; Kathy Shoaf; Kyesha Mapp; Mary Anne Helton; Keith Hetrick
Subject: FW: Request for Oral Modification to Item 11 on the February 7, 2017 Commission Conference, Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.
Importance: High

Staff is requesting permission to make an oral modification to its recommendation filed in Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp. scheduled for the February 7, 2017 agenda conference.

Subsequent to filing its recommendation on January 27, 2017, two scrivener's errors were identified that need correction. First, a Florida Statute cite needs to be changed in Issue 8 (page 33) and second, in Issue 32 a witness reference (page 97) needs to be changed.

In addition, language needs to be added to staff's recommendation statement in Issue 39 (page 115) and the Conclusion (page 117) to address the release of security.

The changes do not affect the revenue requirement or rates recommended by staff.

The following type and strike modifications reflect staff's recommended changes:

ISSUE 8 (page 30) There is no change required to staff's recommendation. The only change required is a reference to a Florida Statute on page 33.

Issue 8: What is the appropriate amount of CIAC to be used in determining the rate base that is used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of contributions-in-aid-of-construction (CIAC) to be used in setting rates is \$10,021,909. Accordingly, CIAC should be increased by \$372,032.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable. (Norris)

page 33, paragraph 2

KWRU witness Swain testified that OPC witness Merchant's adjustment to impute future CIAC violates Section 367.081(2)(a)1, F.S., which states that, "...nor shall the commission impute prospective future contributions-in-aid-of-construction against the utility's investment in property used and useful in the public service." (TR 770) Staff believes that the inclusion of collected, non-prepaid CIAC does not violate Section **367.081(2)(a)1** ~~367.091(2)(a)1~~, F.S. Documented CIAC collected by customers actively receiving service in a future period beyond the test year is clearly demonstrated and not prospective. However, staff agrees that potential CIAC should not be imputed.

ISSUE 32 (page 96) There is no change required to staff's recommendation. The only change required is to a witness reference on page 97.

Issue 32: What are the appropriate rate structures and rates for KWRU's wastewater system?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4. (Johnson)

page 97, last paragraph

KWRU believes 2014 billing determinants are representative of the test year and should be used to calculate rates. (TR 213) County witness Deason testified on the matching principle, which he defined as a requirement "that the utility's rates be set using the utility's costs, investments, revenues, and sales units from the same time period, and that they be representative of the time period in which the new rates will be in effect." (TR 531) However, witness Deason agreed that the Commission has traditionally relied on historical test years for ratemaking purposes in the water and wastewater utility industry. (TR 546) OPC and the County both emphasized the importance of the matching principle in their briefs, while witness **Swain Merchant** acknowledged "there's an accounting principle of matching, but not necessarily in utility rate-making." (OPC BR 27; County BR 27; TR 212)

ISSUE 39 (page 115) Additional language is being added to staff's recommendation statement and concluding paragraph (page 117) to address the release of the security.

Issue 39: Should any portion of the implemented PAA rates be refunded? If so, how should the refund be calculated, and what is the amount of the refund?

Recommendation: Yes. The proper refund amount should be calculated by using the same data used to establish final rates, excluding adjustments that do not relate to the period that PAA rates are in effect. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in a PAA refund of 7.43 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. **Further, all security funds in excess of any required refund should be released to the Utility. If a refund is ordered, upon staff's verification that the refunds have been made, any remaining funds should be released to the Utility.** (Norris)

page 117, paragraph under conclusion

CONCLUSION

The proper refund amount should be calculated by using the same data used to establish final rates, excluding adjustments that do not relate to the period that PAA rates are in effect. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in a PAA refund of 7.43 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. **Further, all security funds in excess of any required refund should be released to the Utility. If a refund is ordered, upon staff's verification that the required refunds have been made, any remaining funds should be released to the Utility.**