

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in wastewater  
rates in Monroe County by K W Resort  
Utilities Corp.

DOCKET NO. 20170141-SU  
ORDER NO. PSC-2018-0102-PCO-SU  
ISSUED: February 26, 2018

The following Commissioners participated in the disposition of this matter:

DONALD J. POLMANN  
GARY F. CLARK

ORDER APPROVING INTERIM RATES AND SURCHARGE AND  
SUSPENDING FINAL RATES

BY THE COMMISSION:

Background

K W Resort Utilities Corp. (KWRU or Utility) is a Class A utility providing wastewater service to approximately 1,867 customers in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority (FKAA). Rates were last established for this Utility in its 2015 rate case.<sup>1</sup> In 2016, KWRU recorded total company operating revenues of \$2,135,343 and operating expenses of \$1,815,421.

On November 21, 2017, KWRU filed its application for approval of interim and final wastewater rate increases. On December 7, 2017, Commission staff sent the Utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). The Utility's response filed December 12, 2017, had not corrected all deficiencies, and a second letter was sent to the Utility on December 13, 2017. The Utility filed a response to the second MFR deficiency letter on December 13, 2017. By letter dated December 14, 2017, the official filing date was established as December 13, 2017.

The Utility's application for increased interim wastewater rates is based on the historical 12-month period ended June 30, 2017, with no averaging adjustment. The test year that will be used to establish final rates is the 13-month average period ended June 30, 2017. KWRU is requesting an increase to recover all expenses it will incur in order to generate a fair rate of return on its investment and pro forma plant additions.

The Utility requested interim rates designed to generate additional revenues of \$146,041, resulting in a 6.26 percent revenue increase. Additionally, KWRU requested interim Allowance for Funds Prudently Invested (AFPI) charges. The Utility is also requesting final rates designed

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<sup>1</sup> Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in Docket No. 20150071-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

to generate annual revenues of \$3,682,216. This represents a revenue increase of \$1,349,690, or 57.9 percent.

The intervention of the Office of Public Counsel was acknowledged by Order No. PSC-2017-0460-PCO-SU, issued November 30, 2017, and the intervention of Monroe County was acknowledged by Order No. PSC-2017-0472-PCO-SU, issued December 15, 2017.

The original 60-day statutory deadline for this Commission to suspend KWRU's requested final rates and address its interim rate request was January 20, 2018. However, by letter dated November 21, 2017, the Utility agreed to extend the statutory time frame by which we are required to address the suspension of KWRU's final rates and its interim rate request, to February 6, 2018. We have jurisdiction pursuant to Sections 367.081, 367.082, and 367.101, Florida Statutes (F.S.).

### Decision

Section 367.081(6), F.S., provides that the rates proposed by the Utility shall become effective within sixty days after filing unless we vote to withhold consent of implementation of the requested rates. Further, the above referenced statute permits the proposed final rates to go into effect, under bond, escrow, or corporate undertaking eight months after filing unless we take final action.

We reviewed the Utility's filing and have considered the proposed rates and charges, the revenues thereby generated, and the information filed in support of the rate application. We require further amplification and explanation regarding this data, and require the production of additional and/or corroborative data. To date, Commission staff has initiated an audit of KWRU's books and records. The audit report was filed on February 15, 2018. In addition, Commission staff served its first set of discovery on December 18, 2017, and responses were received on December 28, 2017. Additional requests will be necessary to process this case; therefore, based on the foregoing, we hereby suspend the Utility's proposed final rates and charges.

### Interim Rates

The Utility has requested that we establish interim rates using year-end rate base and cost of capital measurements. Pursuant to Section 367.082(5)(a), F.S., in setting interim rates or setting revenues subject to refund, we shall determine the revenue deficiency or excess by calculating the difference between the achieved rate of return of a utility or regulated company and its required rate of return applied to an average investment rate base or an end-of-period investment rate base.

It has been our practice that the use of a year-end basis for purposes of setting interim rates must be preceded by a showing of extraordinary circumstances.<sup>2</sup> In response to Commission Staff's

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<sup>2</sup> Order No. PSC-92-1359-FOF-WS, issued November 23, 1992, in Docket No. 920655-WS, In re: Application for a rate increase in Collier County by Marco Island Utilities (Deltona); Order No. PSC-93-1174-FOF-SU, issued

1st Set of Interrogatories to K W Resort Utilities, the Utility stated that the construction of a new wastewater treatment plant and the replacement of a vacuum tank during the test year demonstrated extraordinary circumstances existed during the test year. KWRU also stated that if a year-end rate base is not used, interim rates would not reflect the full amount of investments made during the test year. Accordingly, we shall use a year-end basis for interim ratemaking purposes in accordance with Section 367.082(5)(a), F.S.

Pursuant to Section 367.082(1), F.S., we may authorize the collection of interim rates during any proceeding for a change of rates upon petition from any party or on our own motion; and, in order to establish a prima facie entitlement for interim relief, the utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.082(2)(a), F.S., in a proceeding for an interim increase in rates, we shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of return on equity.

On November 21, 2017, KWRU filed rate base, cost of capital, and operating income schedules using year-end balances to support its requested interim wastewater increase. Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the utility's most recent rate proceeding and annualizing any rate changes. We reviewed KWRU's interim request, as well as the final order in KWRU's last rate case, Order No. PSC-2017-0091-FOF-SU. Accounting schedules are attached to illustrate our approved rate base, capital structure, and test year operating income amounts. The rate base schedules are labeled as Schedule Nos. 1-A and 1-B. The capital structure schedule is labeled Schedule No. 2. The operating income schedules are labeled as Schedule Nos. 3-A and 3-B. Our adjustments are discussed below.

#### Interim Rate Base

In its filing, the Utility made adjustments to plant in service, accumulated depreciation, and depreciation expense to recognize reclassifications of plant accounts and retirements. We find these adjustments are appropriate for interim purposes; however, additional adjustments to rate base are necessary.

#### Used & Useful

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in KWRU's last rate case must be used for interim purposes. In Order No. PSC-2017-0091-FOF-SU, we found KWRU's wastewater collection system 100 percent U&U and the wastewater treatment plant 71.5 percent U&U. Based on our review, the wastewater collection system and the wastewater treatment plant shall continue to be considered 100 percent and 71.5 percent U&U, respectively.

In its filing, the Utility made a net non-U&U adjustment of \$1,960,672 to reduce plant in service and a \$73,908 net reduction to depreciation expense. We made adjustment to decrease U&U by \$86,356 to recognize non-U&U of contributions in aid of construction (CIAC) and accumulated amortization of CIAC. In addition, we also made a corresponding adjustment to decrease net depreciation expense by \$12,315.

#### Working Capital Allowance

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for the Utility was correctly calculated using the balance sheet approach. KWRU reflected a balance of \$438,721 in deferred rate case expense and included an adjustment to reduce the balance by \$107,707. This adjustment represents the removal of one year of approved prior rate case expense. The July 1, 2016 implementation of Section 376.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. However, the current statute does not apply to rate case expense we authorized prior to the 2016 implementation of Section 367.081(9), F.S. Thus, consistent with our practice regarding rate cases filed prior to July 1, 2016, one-half of the Utility's total rate case expense associated with its prior case shall be included in working capital.<sup>3</sup> We reduced the interim working capital by an additional \$107,707 to reflect one-half of the prior rate case expense, and made an adjustment to remove \$7,893 of rate case expense incurred for the instant docket.

During the previous rate case, an escrow agreement was signed between the Commission Clerk and the Utility.<sup>4</sup> Pursuant to Section 367.081(10), F.S., if a Proposed Agency Action (PAA) Order is protested by a party other than the utility, the utility is authorized to place its requested rates in effect under bond, escrow, or corporate undertaking subject to refund. The escrow account was created to ensure a refund, with interest, to customers could be made if necessary, and is reflected in the test year with an ending balance of \$155,616. In the last rate case, we determined that a PAA rate refund was necessary.<sup>5</sup> The Order from the last rate case stated that upon Commission staff's verification that the required refunds have been made, any remaining funds shall be released to the Utility. On August 28, 2017, KWRU was authorized to close the escrow account as refunds had been verified by Commission staff.<sup>6</sup>

Based on the required refund and subsequent closing of this account, an adjustment is necessary to remove the account for interim rate setting purposes. Thus, we shall decrease working capital by \$155,616. As such, the working capital allowance shall be reduced by \$271,216 (\$107,707+\$7,893+\$155,616). Based on the foregoing, KWRU's interim rate base shall be \$4,153,288.

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<sup>3</sup> Order Nos. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida; and PSC-2017-0091-FOF-SU, issued March 13, 2017, in Docket No. 20150071-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

<sup>4</sup> Document No. 03435-16

<sup>5</sup> Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in Docket No. 20150071-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

<sup>6</sup> Document No. 0742-2017

### Interim Cost of Capital

Based on an analysis of the MFRs, Order No. PSC-2017-0091-FOF-SU, and adjustments to rate base discussed above, the overall rate of return shall be reduced from 7.15 percent to 7.14 percent.

### Interim Net Operating Income

To calculate the appropriate amount of interim test year operating revenues, we removed the Utility's requested interim revenue increase of \$146,041 and increased operating revenues by \$7,748 to reflect annualized revenues. We also reduced regulatory assessment fees by \$6,223 to reflect the removal of the Utility's requested revenue increase. Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility's most recent rate proceeding and annualizing any rate changes.

### O&M Expenses

Based on our review, adjustments to operation and maintenance (O&M) expenses are necessary for interim purposes. KWRU proposed an adjustment of \$18,879 to Salaries and Wages to reflect allowable employee expenses per the last rate case. The Utility also proposed corresponding adjustments to Employee Pensions and Benefits and Insurance – Workman's Comp., for \$4,531 and \$831, respectively. In the last rate case, all adjustments to salaries and wages were made on a pro forma basis and no methodology for increasing these expenses was established. As such, we shall make an adjustment and remove \$24,241 (\$18,879 + \$4,531 + \$831) from O&M Expenses.

Based on the above, the appropriate test year operating income, before any revenue increase, is \$214,665.

### Interim Revenue Requirement

Based on the above adjustments, we approve a revenue requirement of \$2,425,904. This represents an interim increase in annual revenues of \$85,629 or 3.66 percent.

### Interim Wastewater Rates

Interim service rates for KWRU shall be designed to allow the Utility the opportunity to generate annual operating revenues of \$2,425,904. The test year revenues were adjusted to annualize the rate in effect at the end of the test year. Before removal of miscellaneous revenues, the resulting revenue increase is \$85,629 (3.66 percent). To determine the appropriate increase to apply to the service rates, miscellaneous revenues were removed from the test year revenues. The calculation is as follows:

**Table 1**  
**Percentage Service Rate Increase**

	<u>Wastewater</u>
1 Total Test Year Revenues	\$2,340,275
2 Less: Miscellaneous Revenues	<u>\$77,500</u>
3 Test Year Revenues from Service Rates	\$2,262,775
4 Revenue Increase	<u>\$85,629</u>
5 Percentage Service Rate Increase (Line 4/Line 3)	3.78%

Source: Approved Revenue Requirement and the Utility's MFRs

Consistent with our practice for interim rates, the above percentage increase shall be applied as an across-the-board increase to the service rates in effect at the end of the Utility's test year. The rates shown on Schedule No. 4 shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. In addition, the approved rates shall not be implemented until the required security has been filed, Commission staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility shall provide proof of noticing within 10 days of the date of the notice.

#### Security Guarantee for Interim Increase

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As previously stated, the total interim increase is \$85,629. In accordance with Rule 25-30.360, F.A.C., we calculated the potential refund of revenues and interest collected under interim conditions to be \$78,925. This amount is based on an estimated eleven months of revenue being collected from our approved interim rates over the Utility's current authorized rates shown on Schedule No. 4.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The Utility initially indicated to Commission staff that it intended to utilize an escrow account as security for potential refund of interim rates granted. However, at our February 6, 2018, Agenda Conference, the Utility indicated its preference to utilize a corporate undertaking. We find that the Utility has adequate resources to support a corporate undertaking in the amount of \$78,925.

Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule

25-30.360, F.A.C. In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the Utility.

Docket No. 20150071-SU Over-Refund

On July 26, 2017, KWRU filed its final refund report pursuant to Order No. PSC-2017-0091-FOF-SU and Rule 25-30.360(7), F.A.C., following the 2015 rate case. Subsequently, the Utility filed a second revised refund report on August 17, 2017, to correct the application of the commercial paper rates it previously used to calculate the appropriate interest for the refunds. Due to the calculation error, KWRU over-refunded interest in the amount of \$9,625. Based on the anticipated timing of an interim rate increase, KWRU elected to address the recovery of the over-refunded revenues in the instant docket. Therefore, we hereby approve a one-time surcharge for one billing period in order to remedy this differential. Our approved surcharges are based on the customer's respective ERCs and are shown on Schedule No. 4.

Based on the above, the over-refunded interest of \$9,625 should be recovered through a one-time surcharge for one billing cycle. The appropriate surcharges are shown on Schedule No. 4. The Utility shall file a proposed customer notice to reflect the approved surcharge. In addition, the approved surcharge shall not be implemented until Commission staff has approved the customer notice and the notice has been received by the customers. The Utility shall provide proof of the notice within 10 days of the date of the notice.

Interim Charge for Allowance for Funds Prudently Invested

An allowance for funds prudently invested (AFPI) charge is a mechanism designed to allow a Utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the customers that will be served by that plant. The charge is calculated based on the costs associated with the non-used and useful plant. This one-time charge is assessed based on the date the future customer connects to the Utility, and is generally applicable to all future customers who have not already prepaid connection fees, contributions-in-aid-of-construction or customer advances. KWRU currently does not have any Commission-approved AFPI charges, but has requested interim as well as final AFPI charges.

A utility may seek our approval of AFPI charges through two primary mechanisms – either in the course of a comprehensive rate proceeding pursuant to Section 367.081, F.S., or as a separate tariff filing pursuant to Section 367.091, F.S. In either case, the rate request may be suspended pursuant to Section 367.081(6), F.S. In a file-and-suspend (direct to hearing) comprehensive earnings review (such as the instant docket), an AFPI charge would be approved prospectively upon our post-hearing vote. In a tariff docket, the AFPI charge would also be approved by our vote, but would be subject to protest by a substantially affected person, in which case the matter would be set for a Section 120.57, F.S., administrative hearing. The timing of requesting an AFPI charge, as well as the procedure by which it is requested (thus affecting the timing in which approval is granted), is a matter left to the utility's discretion.

The purpose of Section 367.082, F.S., is to protect utilities from the “regulatory lag” associated with full blown rate proceedings by providing interim rate relief, subject to refund. We may authorize an interim rate increase if the MFRs indicate that the utility is earning less than its last authorized rate of return on investment, subject to refund at the conclusion of the case. Section 367.082(1), F.S., provides:

The commission may, during any proceeding for a change of rates, upon its own motion, upon petition from any party, or by a tariff filing of a utility or a regulated company, authorize the collection of interim rates until the effective date of the final order. Such interim rates may be based upon a test period different from the test period used in the request for permanent rate relief. Upon application by a utility, the commission may use the projected test-year rate base when determining the interim rates or revenues subject to refund. To establish a prima facie entitlement for interim relief, the commission, the petitioning party, the utility, or the regulated company shall demonstrate that the utility or the regulated company is earning outside the range of reasonableness on rate of return calculated in accordance with subsection (5).

In Commission Staff’s First Set of Interrogatories, No. 1(B), Commission staff requested that KWRU explain and provide the legal support for its request for interim recovery of its requested AFPI charges. In response, KWRU provided:

An AFPI charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers. Section 367.082, Florida Statutes, authorizes the Commission to grant interim rates during the pendency of a rate case. There is no exclusion for AFPI charges. The purpose of interim rates is to reduce regulatory lag, and is equally applicable to AFPI. If AFPI is not allowed then the amounts not collected as new connections are made will be forever lost which impairs KWRU’s opportunity to earn a fair return on its investment.

In essence, KWRU contends that Section 367.082, F.S., does not specifically exclude AFPI charges from interim recovery, and that exclusion of AFPI from interim would impair KWRU’s ability to earn a fair return. KWRU did not specifically request interim treatment for its requested AFPI charges in its petition, or provide any support for what appears to be a case of first impression. KWRU did not provide any case law that supports applying interim recovery to charges such as AFPI pursuant to Section 367.082, F.S. The Utility did not provide an AFPI tariff with its application for either interim or final relief, but did provide schedules showing the calculation of AFPI carrying costs for each ERC, for both interim and final rate purposes, in its E-10 schedules.

The interim statute has historically been applied only with respect to a utility’s service rates, and has not been applied to expedite recovery of charges, such as AFPI or service availability charges. Section 367.082, F.S., provides a very prescriptive methodology by which

interim rates are calculated, and does not provide a methodology for granting interim relief for charges such as AFPI.

Finally, we note that by Order No. PSC-93-0136-FOF-SU,<sup>7</sup> we denied South Broward Utility, Inc.'s (SBU) request for interim AFPI charges pursuant to Section 367.082, F.S., and instead we suspended the tariff pursuant to Section 367.091, F.S. We stated:

In its application, SBU requests that this Commission enter an order "pursuant to Section 367.082 and Section 367.101, Florida Statutes (1991), authorizing the Company to charge and collect interim wastewater AFPI charges . . . ."

We note that §367.082, Florida Statutes, is designed for allowing interim rates only in conjunction with comprehensive earnings reviews. The information at hand in this case is insufficient for such a review. Further, although AFPI charges are paid for by future customers like service availability charges, we do not believe that AFPI charges are service availability charges as contemplated in §367.101, Florida Statutes.

Section 367.091(5),<sup>8</sup> Florida Statutes, gives this Commission authority to withhold consent, upon justification, to all or portions of new rate schedules other than service availability and monthly service rate schedules. Above, we have suspended SBU's AFPI tariffs because we cannot at this time conclude that the utility's supporting calculations are correct, and, therefore, we cannot allow the tariffs to become effective.

In consideration of the above, SBU's request for interim rates is denied.

Unlike the SBU docket, KWRU's request for interim AFPI has been made in conjunction with a comprehensive earnings review. However, we have historically interpreted Section 367.082, F.S., as applying to interim rate relief for service rates, and not charges such as AFPI or service availability charges. Further, KWRU has not provided adequate support for why we should depart from this practice. Therefore, KWRU's request for interim treatment of its requested AFPI charge is hereby denied.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that K W Resort Utilities Corp.'s proposed final rates are hereby suspended. It is further

ORDERED that K W Resort Utilities Corp.'s requested interim revenue requirement and rate increase are hereby approved as set forth in the body of this order. It is further

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<sup>7</sup> Issued January 26, 1993, in Docket No. 921186-SU, In re: Application for Modification of Allowance for Funds Prudently Invested Charges by South Broward Utility, Inc. in Broward County.

<sup>8</sup> The Florida Statutes has since been revised, and this subsection is now numbered 367.091(6).

ORDERED that the Utility is hereby authorized to implement a one-time charge associated with the over-refund in Docket No. 150071-SU, as set forth in the body of this order. It is further

ORDERED that K W Resort Utilities Corp. shall maintain a corporate undertaking to guarantee any potential refund of revenues collected under interim conditions as set forth herein. It is further

ORDERED that pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. It is further

ORDERED that the rates and schedules attached to this order are hereby approved and incorporated by reference. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. It is further

ORDERED that the approved rates shall not be implemented until the required security has been filed, Commission staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility shall provide proof of noticing within 10 days of the date of the notice. It is further

ORDERED that the Utility shall not implement the one-time surcharge until Commission staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of noticing within 10 days of the date of the notice. It is further

ORDERED that K W Resort Utilities Corp.'s requested interim AFPI charges are denied. It is further

ORDERED that this docket shall remain open pending this Commission's final action on K W Resort Utilities Corp.'s requested final rates. It is further

ORDERED that upon issuance of a consummating order, this docket shall remain open pending our final decision on K W Resort Utilities Corp.'s final requested rates.

By ORDER of the Florida Public Service Commission this 26th day of February, 2018.



CARLOTTA S. STAUFFER

Commission Clerk

Florida Public Service Commission

2540 Shumard Oak Boulevard

Tallahassee, Florida 32399

(850) 413-6770

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KRM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the approval of interim wastewater rates, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Any party adversely affected by the suspension of proposed final rates, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by the Commission's final action regarding a one-time surcharge, may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

<b>KWRU</b>			<b>Schedule No. 1-A</b>		
<b>Schedule of Wastewater Rate Base</b>			<b>Docket No. 20170141-SU</b>		
<b>Test Year Ended 06/30/17</b>					
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Commission Adjust- ments</b>	<b>Commission Adjusted Test Year</b>
1 Plant in Service	\$17,465,392	(\$390,690)	\$17,074,702	\$0	\$17,074,702
2 Land and Land Rights	375,000	0	375,000	0	375,000
3 Non-used and Useful Components	0	(1,960,672)	(1,960,672)	86,356	(1,874,316)
4 CWIP	15,150	0	15,150	0	15,150
5 Accumulated Depreciation	(6,766,511)	381,000	(6,385,511)	0	(6,385,511)
6 CIAC	(10,388,558)	0	(10,388,558)	0	(10,388,558)
7 Amortization of CIAC	4,077,673	0	4,077,673	0	4,077,673
8 Working Capital Allowance	<u>0</u>	<u>1,530,364</u>	<u>1,530,364</u>	<u>(271,216)</u>	<u>1,259,148</u>
9 <b>Rate Base</b>	<u>\$4,778,146</u>	<u>(\$439,998)</u>	<u>\$4,338,148</u>	<u>(\$184,860)</u>	<u>\$4,153,288</u>

<b>KWRU</b>		<b>Schedule No. 1-B</b>
<b>Adjustments to Rate Base</b>		<b>Docket No. 20170141-SU</b>
<b>Test Year Ended 06/30/17</b>		
<b>Explanation</b>		<b>Wastewater</b>
<b>Non-used and Useful</b>		
To reflect net non-used and useful adjustment.		<u>\$86,356</u>
<b>Working Capital</b>		
1 To reflect appropriate deferred rate case expense.		(\$107,707)
2 To remove PAA escrow account.		(155,616)
3 To remove deferred rate case expense from instant docket.		(7,893)
<b>Total</b>		<u>(\$271,216)</u>

<b>KWRU Capital Structure Test Year Ended 06/30/17</b>						<b>Schedule No. 2 Docket No. 20170141-SU</b>			
<b>Description</b>	<b>Total Capital</b>	<b>Specific Adjust- ments</b>	<b>Subtotal Adjusted Capital</b>	<b>Prorata Adjust- ments</b>	<b>Capital Reconciled to Rate Base</b>	<b>Ratio</b>	<b>Cost Rate</b>	<b>Weighted Cost</b>	
<b>Per Utility</b>									
1	Long-term Debt	\$3,454,167	\$0	\$3,454,167	(\$1,295,932)	\$2,158,235	49.75%	4.88%	2.43%
2	Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4	Common Equity	3,161,980	0	3,161,980	(1,186,457)	1,975,523	45.54%	10.16%	4.63%
5	Customer Deposits	204,389	0	204,389	0	204,389	4.71%	2.00%	0.09%
6	Deferred Income Taxes	0	0	0	0	0	0.00%	0.00%	0.00%
7	<b>Total Capital</b>	<u>\$6,820,536</u>	<u>\$0</u>	<u>\$6,820,536</u>	<u>(\$2,482,389)</u>	<u>\$4,338,147</u>	<u>100.00%</u>		<u>7.15%</u>
<b>Per Commission</b>									
8	Long-term Debt	\$3,454,167	\$0	\$3,454,167	(\$1,392,520)	\$2,061,647	49.64%	4.88%	2.42%
9	Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
10	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11	Common Equity	3,161,980	0	3,161,980	(1,274,727)	1,887,253	45.44%	10.16%	4.62%
12	Customer Deposits	204,389	0	204,389	0	204,389	4.92%	2.00%	0.10%
13	Deferred Income Taxes	0	0	0	0	0	0.00%	0.00%	0.00%
14	<b>Total Capital</b>	<u>\$6,820,536</u>	<u>\$0</u>	<u>\$6,820,536</u>	<u>(\$2,667,248)</u>	<u>\$4,153,288</u>	<u>100.00%</u>		<u>7.14%</u>
						<b><u>LOW</u></b>	<b><u>HIGH</u></b>		
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>		
OVERALL RATE OF RETURN						<u>7.14%</u>	<u>8.05%</u>		

<b>KWRU</b>		<b>Schedule No. 3-A</b>					
<b>Statement of Wastewater Operations</b>		<b>Docket No. 20170141-SU</b>					
<b>Test Year Ended 06/30/17</b>							
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjustments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Comm. Adjustments</b>	<b>Comm. Adjusted Test Year</b>	<b>Revenue Increase</b>	<b>Revenue Requirement</b>
1 <b>Operating Revenues:</b>	<u>\$2,130,307</u>	<u>\$348,261</u>	<u>\$2,478,568</u>	<u>(\$138,293)</u>	<u>\$2,340,275</u>	<u>\$85,629</u> 3.66%	<u>\$2,425,904</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$1,720,331	\$184,650	\$1,904,981	(\$24,241)	\$1,880,740		\$1,880,740
3 Depreciation	144,159	(69,456)	74,703	(12,315)	62,388		62,388
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	175,513	13,192	188,705	(6,223)	182,482	3,853	186,335
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 <b>Total Operating Expense</b>	<u>2,040,003</u>	<u>128,386</u>	<u>2,168,389</u>	<u>(42,779)</u>	<u>2,125,610</u>	<u>3,853</u>	<u>2,129,463</u>
8 <b>Operating Income</b>	<u>\$90,304</u>	<u>\$219,875</u>	<u>\$310,179</u>	<u>(\$95,514)</u>	<u>\$214,665</u>	<u>\$81,776</u>	<u>\$296,441</u>
9 <b>Rate Base</b>	<u>\$4,778,146</u>		<u>\$4,338,148</u>		<u>\$4,153,288</u>		<u>\$4,153,288</u>
10 <b>Rate of Return</b>	<u>1.89%</u>		<u>7.15%</u>		<u>5.17%</u>		<u>7.14%</u>

<b>KWRU</b>		<b>Schedule No. 3-B</b>
<b>Adjustments to Operating Income</b>		<b>Docket No. 20170141-SU</b>
<b>Test Year Ended 06/30/17</b>		
<b>Explanation</b>		<b>Wastewater</b>
<b>Operating Revenues</b>		
1	To remove requested interim revenue increase.	(\$146,041)
2	To reflect the appropriate amount of annualized revenues.	<u>7,748</u>
	<b>Total</b>	<u>(\$138,293)</u>
<b>Operation and Maintenance Expense</b>		
1	To remove salaries & wages adjustment.	(\$18,879)
2	To remove employee pensions & benefits adjustment.	(4,531)
3	To remove insurance - workman's comp adjustment.	<u>(831)</u>
	<b>Total</b>	<u>(\$24,241)</u>
<b>Depreciation Expense - Net</b>		
	To remove depreciation expense on non U&U adjustment.	<u>(\$12,315)</u>
<b>Taxes Other Than Income</b>		
	To remove RAFs on revenue increase.	<u>(\$6,223)</u>

<b>KWRU</b>		<b>SCHEDULE NO. 4</b>		
<b>TEST YEAR ENDED JUNE 30, 2017</b>		<b>DOCKET NO. 20170141-SU</b>		
<b>MONTHLY WASTEWATER RATES</b>				
	<b>UTILITY CURRENT RATES</b>	<b>UTILITY REQUESTED INTERIM RATES</b>	<b>COMMISSION APPROVED INTERIM RATES</b>	<b>COMMISSION APPROVED SURCHARGE</b>
<b><u>Residential Service</u></b>				
Base Facility Charge- All Meter Sizes	\$31.86	\$33.79	\$33.07	\$2.30
Charge per 1,000 gallons 10,000 gallon cap	\$5.28	\$5.60	\$5.48	\$0.16
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$31.86	\$33.79	\$33.07	\$2.30
1"	\$79.65	\$84.48	\$82.66	\$5.75
1.5"	\$159.30	\$168.95	\$165.33	\$11.50
2"	\$254.88	\$270.33	\$264.53	\$18.40
3"	\$509.76	\$540.65	\$529.05	\$36.80
4"	\$796.50	\$844.77	\$826.64	\$57.50
6"	\$1,593.00	\$1,689.54	\$1,653.28	\$115.00
8"	\$2,548.80	\$2,703.26	\$2,645.25	\$184.00
8" Turbo	\$2,867.40	\$3,041.16	\$2,975.91	\$207.00
Charge per 1,000 gallons	\$6.33	\$6.71	\$6.57	\$0.20
<b><u>Harbor Shores</u></b>				
Base Facility Charge	\$2,198.34	\$2,331.56	\$2,281.53	\$158.70
Charge per 1,000 gallons 690,000 gallon cap	\$5.28	\$5.60	\$5.48	\$0.16
<b><u>Private Lift Station Owners</u></b>				
5/8" x 3/4"	\$25.49	\$27.03	\$26.45	\$2.30
1"	\$63.72	\$67.58	\$66.14	\$5.75
1.5"	\$127.44	\$135.16	\$132.27	\$11.50
2"	\$203.90	\$216.26	\$211.64	\$18.40
3"	\$407.81	\$432.52	\$423.27	\$36.80
4"	\$637.20	\$675.81	\$661.37	\$57.50
6"	\$1,274.40	\$1,351.63	\$1,322.73	\$115.00
8"	\$2,039.04	\$2,162.61	\$2,116.37	\$184.00
Charge per 1,000 gallons	\$6.33	\$6.71	\$6.57	\$0.20
<b><u>Reuse Service</u></b>				
Charge per 1,000 gallons	\$1.34	\$1.42	\$1.39	\$0.16
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
5,000 Gallons	\$58.26	\$61.79	\$60.46	\$63.57*
10,000 Gallons	\$84.66	\$89.79	\$87.86	\$91.77*
15,000 Gallons	\$84.66	\$89.79	\$87.86	\$91.77*

\*These bill comparisons utilize Commission approved interim rates and surcharges to exemplify a typical residential bill during the single billing period the surcharges will be effective at varying consumption