

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. 20240108-SU
ORDER NO. PSC-2025-0289-PAA-SU
ISSUED: July 28, 2025

The following Commissioners participated in the disposition of this matter:

MIKE LA ROSA, Chairman
ART GRAHAM
GARY F. CLARK
ANDREW GILES FAY
GABRIELLA PASSIDOMO SMITH

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING IN PART AND DENYING IN PART
RATES FOR K W RESORT UTILITIES, CORP.

AND

FINAL ORDER REQUIRING RATE CASE EXPENSE AMORTIZATION
AND PROOF OF ADJUSTMENTS OF BOOKS AND RECORDS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature, except for the required rate case expense amortization and proof of adjustments of books and records, and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

K W Resort Utilities Corp. (KWRU or utility) is a Class A wastewater utility providing service to approximately 1,844 customers in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority. The utility's rates were last established in 2017 in Docket No. 20170141-SU.¹ According to the utility's 2023 annual report, the utility recorded total company operating revenues of \$3,880,373 and operating expenses of \$2,725,885.

On December 13, 2024, KWRU filed its application for approval of wastewater rate increases.² In its application, the utility requested that we process the utility's rate case using the proposed agency action procedure as provided in Section 367.081(10), Florida Statutes (F.S.). On January 10, 2025, our staff sent the utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). The utility's response to the deficiencies was filed on January 15, 2025. Staff established the official filing date by letter on January 24, 2025.

¹Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

²Document No. 08049-2024, filed on July 29, 2024.

KWRU's application for increased wastewater rates is based on the historical test year ended June 30, 2024. The utility is requesting a wastewater increase to recover all expenses it will incur including a fair rate of return on its investment and pro forma plant projects. The proforma plant projects consist of replacing the South Wastewater Treatment Plant blowers and an associated electrical upgrade to the treatment plant. KWRU's requested rates are designed to generate revenues of \$4,834,390 for wastewater operations. This represents a revenue increase of \$913,843, or 23.31 percent.

On September 4, 2024, the Office of Public Counsel (OPC) filed a notice of intervention. OPC's intervention was acknowledged by Order No. PSC-2024-0407-PCO-SU, issued September 5, 2024.³

On February 10, 2025, we suspended final rates proposed by the utility to allow our staff sufficient time to process this case.⁴ On April 3, 2025, KWRU filed a Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., in which it requested that no net salvage value be included in its depreciation calculations. On April 18, 2025, OPC filed its response to KWRU's waiver petition stating that KWRU did not meet the requirements to waive the application of net salvage value to its capital assets.

A virtual customer meeting was held on April 16, 2025. Two customers spoke at the meeting. We have jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.091, and 367.121, F.S.

DECISION

Request for Waiver of Rule 25-30.140, F.A.C.

Finding No. 6 of the Staff's Rate Case Audit filed on March 17, 2025,⁵ states that KWRU did not apply the correct depreciation rates per Rule 25-30.140, F.A.C., for Accounts 391.7 Transportation Equipment and 395.7 Power Operated Equipment because it did not include the salvage value in calculating depreciation. Rule 25-30.140(1)(k), F.A.C., states as follows:

(1) For the purpose of the rule, the following definitions apply:

...

(k) Depreciation Accounting – The process of charging the book cost of depreciable property, *adjusted for net salvage*, to operations over the associated useful life.”

[Emphasis added.]

On April 3, 2025, KWRU filed a Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., to which OPC filed its Response on April 18, 2025, opposing the waiver request. Variances from the application of a rule can be justified if: (a) the application of

³Order No. PSC-2024-0407-PCO-SU, issued September 5, 2024, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

⁴Order No. PSC-2025-0046-PCO-SU, issued February 10, 2025, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

⁵DN 01830-2025.

the rule creates a substantial hardship or violations of principles of fairness; and (b) the waiver would serve the purpose of the underlying statute, i.e., the establishment of fair, just and reasonable rates pursuant to Section 367.081(2)(a)1, F.S.⁶

In support of not applying the net salvage value, KWRU argued that we have consistently excluded net salvage value in our water and wastewater depreciation calculations. Further, KWRU states that Rule 25-30.140(6) and (7), F.A.C., characterize the definitions of Rule 25-30.140(1), F.A.C., as “guidelines” that “may not be applicable to every utility system.”⁷ KWRU stated that the salvage adjustment for Transportation Equipment of 10 percent effectively increases the expected life from six to 6.6 years, a time period not consistent with this equipment’s expected useful life. Likewise, with regard to the Power Operated Equipment, the salvage adjustment of 5 percent effectively increases the expected life from twelve to 12.6 years, again a time period not consistent with this equipment’s expected useful life. Thus, KWRU argued that no salvage adjustment more accurately reflects the expected lives of this equipment.

OPC countered that KWRU has not provided any evidence in support of its assertion that six year and twelve year useful lives are more accurate. Further, OPC argued that use of a net salvage percentage is to ensure that depreciation rates do not over collect for the property by “effectively” deducting any value of salvage when the property is retired.⁸ Section (2)(b) of Rule 25-30.140, F.A.C., sets the net salvage value of Transportation and Equipment at 10 percent and 5 percent for Power Operated Equipment. These values can be changed if the utility can justify its proposed service lives. Justification consists of “historical data, technical information or utility planning for the affected accounts or sub-accounts.” Rule 25-30.140(6)(a), F.A.C. OPC argues that KWRU did not provide a depreciation study supporting a recalibration of service lives for these accounts or any other evidence to show that it did not receive any net salvage for these accounts.⁹

Finally, OPC stated that KWRU’s reliance on the fact that we have not previously required net salvage be applied to these accounts is misplaced. OPC argued that no agency can willfully ignore its own rules whether there is an objection or not. Having filed its objection to KWRU’s rule waiver request, OPC contended that we certainly cannot do so here.

Upon a review of KWRU’s petition and the materials provided by KWRU, we agree with OPC that KWRU has not proven that the application of the rule creates a substantial hardship or violates principles of fairness, or that its requested rule waiver would serve the purpose of the underlying statute. We acknowledge that in the past that we have not consistently applied the net salvage value for water and wastewater assets. However, that should not, and cannot, constitute an exception to the application of Rules 25-30.140(1)(k), F.A.C., or 25-30.140(3)(a), F.A.C.¹⁰

⁶See Rule 28-104.002, F.A.C.

⁷KWRU Petition at 2.

⁸OPC Response at p. 2.

⁹OPC Response at p. 3.

¹⁰ “Average service life depreciation rates based on guideline lives and salvages shall be used in any Commission proceeding in which depreciation rates are addressed, except for those utilities using depreciation rates in accordance with the requirements listed in subsections (6) and (7) of this rule.” Subsection (6) requires the utility to prove by historic data, technical information or utility planning a different rate is justified. As stated above, KWRU has failed to do so. Subsection (6) states that common causes of the need for different depreciation rates are

We also note that net salvage value was used in the Pluris Wedgefield, LLC and Sunshine Water Service Company orders in which this issue was fully litigated.¹¹

For the reasons stated above, KWRU's Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., is denied.

Quality of Service

Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), F.A.C., in wastewater rate cases, we are required to determine the overall quality of service provided by the utility. This determination is made from an evaluation of the utility's attempt to address customer satisfaction. The rule further states that the most recent outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP), the county health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by this Commission are also reviewed.

We have reviewed complaints filed in our Consumer Activity Tracking System (CATS), received by the utility, and filed with DEP, from July 1, 2019, through June 30, 2024. During this period, there were four complaints filed in CATS during the test year and four years prior for KWRU. Three of these complaints were related to billing issues and one complaint was regarding rates and access to tariff information. The utility addressed and resolved each complaint. Over this same period, the utility reported that it received a total of 54 complaints. 50 of the complaints were associated with sewage backups or similar issues of which 34 were resolved by the utility repairing its equipment and returning the system to normal operations, while 16 were found to be associated with problems with the customer's equipment. Out of the remaining 4 complaints, three were investigated by the utility with ultimately no issue being found by KWRU.¹² Finally, 1 complaint was a billing issue regarding non-returned water. The utility has addressed and resolved all complaints received during this time period.

Our staff also requested all complaints received by DEP for this same time period and was informed of two complaints. One complaint alleged that KWRU's effluent may be attributed to the elevated sucralose levels in the surrounding area, which suggested that some amount of wastewater may be present in the water. This complaint was investigated by DEP who determined that there was no substantiated evidence that KWRU's effluent was the source of the elevated sucralose levels. The other complaint was regarding odor. DEP investigated and determined that the odor detected did not appear to be sewer related and could not be traced back to the utility's wastewater facility. During the test year, KWRU had an average 1,841 customers, including 1,434 residential customers which accounted for 30.5 percent of system flows. Total

composition of the account, adverse environmental conditions, high growth or regulatory changes. KWRU has not alleged that any of these conditions exist in this case

¹¹Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC.*; Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-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 Sunshine Water Services Company.*

¹²Two of these complaints were "sewer problem" complaints in which the Utility examined all utility equipment and inspected the area but could find no issues. The other complaint reported loud noise from the treatment plant. However, the Operator found no abnormalities with the treatment plant.

complaints reported to the Commission, DEP, and the utility include approximately 1.1 percent of customers.

A customer meeting was held on April 16, 2025. Two customers spoke, both provided comments opposing the proposed rate increase and one inquired into the possibility of selling the utility. A supplemental review, through June 1, 2025, of complaints filed in CATS was performed following the customer meeting and found no additional complaints. One customer comment was filed in the correspondence side of the docket opposing the rate increase.

Based on the fact that KWRU has been responsive to customer complaints we find that the quality of service is satisfactory.

DEP Compliance

Rule 25-30.225(2), F.A.C., requires each wastewater utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, we must consider testimony of DEP and county health department officials and compliance evaluation inspections for wastewater systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

KWRU's wastewater system consists of a permitted 0.849 million gallons per day (MGD) per Annual Average Daily Flow (AADF) design capacity wastewater treatment plant (WWTP). The facility consists of three treatment trains with screening, aeration, anoxic stage, clarifiers, sand filtration, chlorine disinfection, and aerobic digesters. Effluent disposal is via four Class V underground injection wells or by public access reuse.

We reviewed the utility's compliance evaluation inspections conducted by DEP to determine the utility's overall wastewater facility compliance. In its compliance inspection report, conducted on March 20, 2024, DEP initially determined KWRU's wastewater treatment facility was out of compliance due to four unauthorized sanitary sewer overflow (SSO) discharges that occurred at the facility between December 2022 and October 2023. However, on September 5, 2024, DEP determined that the facility was in compliance and that the SSOs had already been evaluated and addressed at the time they occurred. Two of the SSO discharges were related to unforeseen pipe damage, one was due to an unknown person breaking a relief valve, and one was related to an electrical failure at a lift station. The utility addressed these SSO discharges by making repairs and appropriately reported the SSO discharges to DEP. DEP reported that adequate notification from the utility was received for all issues and no subsequent compliance issues were reported by DEP. Additionally, the utility has no outstanding citations, violations, or consent orders on file with DEP or the Monroe County Health Department. For these reasons we find that KWRU's wastewater system is currently in compliance with DEP.

Plant-in-Service

In its MFRs, the utility reflected a 13-month average test year utility plant in service (UPIS) balance of \$21,985,301. As discussed below, we approve of the utility's adjustments to annualize depreciation expense based on the corresponding plant assets being recognized in rate base. Based on the annualization calculated in the MFRs, we calculated the corresponding increase to test year plant-in-service balances. As such, we approve of increasing the test year plant-in-service balance by \$224,804 to reflect corresponding adjustments to annualization.

Additionally, we approve of further adjustments to UPIS as follows. Commission staff's audit report identified a reclassification from Account 354.4 to Account 380.4 made in June 2024 that was not reflected in the MFRs. KWRU did not dispute this adjustment. As such, we approve a 13-month average decrease of \$207 for Account 354.4 and an equal increase for Account 380.4. This results in a net-zero adjustment to UPIS. As discussed below, a corresponding adjustment shall be made to increase UPIS by \$38,244 to reclassify certain costs reflected as miscellaneous revenues in the test year. Further, a corresponding adjustment shall be made to increase UPIS by \$38,157 to capitalize certain costs reflected as Operations and Maintenance (O&M) expenses in the test year. With these adjustments, UPIS shall be increased by \$301,205 (\$224,804 + \$38,244 + \$38,157).

Pro-Forma Plant Additions

Section 367.081(2)(a)2., F.S., provides that in fixing rates, we shall consider facilities to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates, unless a longer period is approved by us to be used and useful (U&U) if such property is needed to serve current customers.

In its filing, the utility included pro forma plant additions of \$2,179,139 for the KWRU Blower and Electrical Upgrades Project, which is a combined project intended to replace the blowers and associated electrical panels as well as upgrade the Supervisory Control and Data Acquisition (SCADA) system. The breakdown of the total project costs is reflected in Table 1.

Table 1
Pro Forma Plant Additions

Project	Amount
Kaesar Blowers (Purchase, Shipping, and Taxes)	\$276,733
SCADA System Upgrades	\$277,000
Design, Permitting, and Structural Improvement	\$447,906
Installation of Blower and Electrical Panel Upgrades	\$1,177,500
Total Project Cost	\$2,179,139

Source: Document No. 04037-2025 filed May 29, 2025

The current blowers were installed in 1983 at an elevation below the current flood level and have reached the end of their useful life. Currently, the treatment system used by KWRU requires control of oxygen levels, which is accomplished through the current blowers by controlling the air intake, but would normally be controlled by adjusting the motor speeds. In

order to be compatible with the treatment system, the replacement blowers are required to utilize variable frequency drive controllers that allow more precise control of oxygen levels. The utility sought proposals from multiple manufacturers that could provide blowers that met the necessary design requirements, ultimately choosing blowers from Kaeser as they were the least expensive and KWRU believed them to provide the best value. To control and integrate the new blowers, KWRU installed new electrical panels and SCADA system upgrades. Additionally, the newly installed blowers and electrical panels would be raised to 9.2 feet to be above the current flood level.

The utility solicited four bids from general contractors to complete the KWRU Blower and Electrical Upgrades project and received two bid proposals. KWRU ultimately selected the lowest bid proposal. We reviewed invoices provided by the utility detailing project costs and find the costs are appropriate. The project is currently scheduled to be completed by December 2025.¹³ Based on the aforementioned, we find that the utility has met its burden of proof for this project by demonstrating its need and providing the necessary cost justification. Therefore, we will not make any adjustments to the utility's requested pro forma plant additions.

The pro forma adjustments reflect additions to the UPIS. These adjustments include \$145,000 to Account 354.4 (Structures & Improvements), \$1,757,139 to Account 380.4 (Treatment & Disposal Equipment) for a blower replacement and electrical upgrade, and \$277,000 to Account 396 (Communication Equipment) for a SCADA system. Additionally, a retirement of \$47,092 is applied to Account 380.4 to account for assets replaced by the new equipment. These changes result in a net increase of \$2,132,047 to UPIS.

The utility also requested corresponding adjustments to increase accumulated depreciation and depreciation expense by \$65,113 and \$130,225, respectively. As discussed further below, an adjustment is necessary to recognize salvage value associated with the pro forma additions to Account 396. Pursuant to Rule 25-30.140, F.A.C., we have reduced the pro forma accumulated depreciation and depreciation expense by \$1,385 and \$2,770, respectively, associated with the additions to Account 396.

We find that the \$2,132,047 for the net increase to UPIS is reasonable; therefore, no adjustment is needed. However, a net salvage adjustment shall be made to reduce the associated pro forma accumulated depreciation and depreciation expense by \$1,385 and \$2,770, respectively.

Plant Retirements

In its MFRs, KWRU reflected plant retirements in the amount of \$47,092 associated with pro forma plant additions. The utility also included corresponding adjustments to reduce accumulated depreciation and depreciation expense by \$47,092 and \$2,618, respectively. This retirement represents the only necessary adjustment to reflect the removal of obsolete equipment directly tied to the utility's planned capital improvements. We do not have any adjustments. Therefore, we find that the total plant retirements is \$47,092.

¹³Document No. 04037-2025, filed on May 29, 2025, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Infiltration and/or Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the amount of infiltration and/or inflow (I&I) will be considered. Infiltration typically results from groundwater entering a wastewater collection system through broken or defective pipes and joints, whereas inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is typically 500 gallons per day per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. This is added to the expected water returned from the system, which is typically determined by summing 80 percent of water sold to residential users with 90 percent of water sold to non-residential users, excluding irrigation and reuse flows. Excessive I&I is a calculation that is based on a comparison of the allowable wastewater treated to the actual amount of wastewater treated. In addition, adjustments to operating expenses, such as chemical and electrical costs, are considered necessary if excessive.

In its MFRs, the utility states that there is no excess I&I, and no adjustments shall be made as a result. The utility identified an infiltration allowance of 8,993,341 gallons, with an additional 22,490,400 gallons allowed for inflow, for a total allowable I&I of 31,483,741 gallons per year. Based on our review of the record, these values appear reasonable.

For the returned water calculation, KWRU's calculated value of expected returns is 208,660,160 gallons per year. This is based on an assumption that the estimated returns sold to residential users and non-residential users should be 90 percent and 94 percent, respectively, instead of the typical 80 percent and 90 percent values. KWRU stated that there is very little lawn space in the residential and general service areas and that the newest residential properties built are high density. Furthermore, the utility stated that there is a low usage per equivalent residential connection (ERC) of 4,002 gallons/month. We reviewed maps of the service territory and agree with the description of KWRU. Therefore, we find that the proposed 90 and 94 percent return assumptions for residential and non-residential, respectively, are reasonable for KWRU.

Combining the allowable I&I and expected returns yields 240,143,901 gallons per year. Any amount treated in excess of this amount shall be considered excessive I&I. Based on the utility's MFR Schedule F-2, 238,659,000 gallons of wastewater were treated during the test year. We verified these values by comparison to records submitted to DEP. As the total amount of water treated is less than the allowable I&I and expected returns, there is no excessive I&I. For that reason, no adjustments are necessary.

Wastewater Used and Useful

The WWTP has a DEP permitted capacity of 0.849 MGD per AADF. This plant is operated to provide secondary treatment with basic disinfection. The collection system is made up of approximately: 20,525 linear feet of 8-inch polyvinyl chloride (PVC) pipe, 11,342 linear feet of 4-inch PVC pipe, 6,168 linear feet of 6-inch PVC pipe, 3,100 linear feet of 3-inch PVC pipe and 300 linear feet of 12-inch PVC pipe.

Rule 25-30.432, F.A.C., addresses the method by which the U&U of a wastewater system is determined. In the previous rate case the WWTP was determined to be 71.5 percent U&U and the wastewater collection system was determined to be 100 percent U&U.¹⁴

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage of a WWTP is based on customer demand compared with the permitted plant capacity, with customer demand measured on the same basis as permitted capacity, with considerations for growth, I&I, and other factors. In the utility's MFR Schedule F-6, the utility calculated a value of 90.5 percent U&U, but proposed that the WWTP be considered 100 percent U&U because the system is built out and no further flow increases are anticipated.

In our review of the U&U of the WWTP, we confirmed the utility's service territory appears to be built out at this time. That being the case, we find that the utility's wastewater treatment plant is 100 per cent used and useful.

The service area has had very little growth in the past five years and the wastewater collection system has had no change in capacity. Consistent with our prior order, the wastewater collection system shall be 100 percent U&U.¹⁵

Accumulated Depreciation

In its MFRs, the utility reflected test year accumulated depreciation of \$10,211,165 along with adjustments to increase accumulated depreciation to annualizing depreciation expense of plant added during the test year, as well as a corresponding adjustment to a plant reclassification.

KWRU reflected an adjustment to increase accumulated depreciation by \$10,059 to recognize the annualization of depreciation expense of plant added during the test year. Staff believes this is a reasonable adjustment. When considering pro forma additions of plant that occur after the end of the test year, accumulated depreciation is annualized. This is a convention of ratemaking, thus recognizing the full year of the asset in plant, accumulated depreciation, and depreciation expense. Adjustments to accumulated depreciation recognizing the annualization of plant added during the test year provide a more accurate representation of rate base as a component of ratemaking. Additionally, in order to ensure the annualization of accumulated depreciation does not result in a mismatch, we have included a UPIS annualization adjustment to reflect the corresponding assets in rate base.

The annualization adjustment for Account Nos. 391.7 and 395.7 has been recalculated to recognize salvage value as prescribed by Rule 25-30.140, F.A.C. With this calculation the annualization adjustment shall be reduced by \$765.

A corresponding adjustment shall be made to increase accumulated depreciation by \$1,275 to reclassify certain costs reflected as miscellaneous revenues in the test year. A corresponding adjustment shall also be made to increase accumulated depreciation by \$2,186 to reflect capitalizing certain costs reflected as O&M expenses in the test year, as discussed below.

¹⁴Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

¹⁵Order No. PSC-2016-0123-PAA-SU, issued on March 23, 2016, in Docket No. 20150071-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Based on the adjustments discussed above, test year accumulated depreciation shall be increased by \$424,525. All necessary adjustments to accumulated depreciation associated with pro forma additions shall be made as discussed above.

Contributions-in-Aid-of-Construction (CIAC)

In its filing, KWRU reflected test year CIAC of \$12,091,323. The audit staff found no issue with this amount. However, a corresponding adjustment shall be made to increase CIAC by \$38,244 to reclassify certain costs reflected as miscellaneous revenues in the test year.

Accumulated Amortization of CIAC

In its filing, KWRU reflected test year accumulated amortization of CIAC of \$6,665,424. The audit staff found no issue with this amount. However, a corresponding adjustment shall be made to increase accumulated amortization of CIAC by \$1,275 to reflect the adjustment to CIAC to reclassify certain costs reflected as miscellaneous revenues in the test year.

Working Capital Allowance

Rule 25-30.433(3), F.A.C., requires that Class A utilities use the balance sheet method to calculate the working capital allowance. In its MFRs, the utility recorded a working capital allowance of \$1,439,394. Audit Finding No. 1 addressed adjustments to the cash balance, the unamortized debt discount and expense balance, and the accounts payable balance included in working capital.

A. Cash

Audit staff made an adjustment to remove a total of \$449,549 in cash associated with interest-bearing accounts identified and removed in the last rate case. In previous rate cases, we have made adjustments to remove excessive amounts of cash included in working capital that was not used for the day-to-day operation of KWRU.¹⁶

It has been our practice to either exclude interest bearing accounts from working capital, or to include them provided that the interest income is also included in the above-the-line revenues.¹⁷ In response to Audit Finding No. 1, KWRU stated that the accounts identified by our audit staff were not the same accounts as the previous rate case and should not be removed. We examined the documentation provided with the utility's response to the audit, as well as the Excel version of the MFRs and recognize that the cash accounts are not the same as in the last case. Additionally, in response to a data request, KWRU explained it maintains a cash balance of two and a half to three times the average amount of monthly expenses, and any additional cash generated is used to pay down debt. We find that the utility's justification for maintaining its test year cash balance supports the level reflected in its filing. In response to a data request, the

¹⁶See Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-WS, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*; Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in Docket No. 20150071-WS, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

¹⁷See Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, LLC.*; Order No. PSC-2001-0326-FOF-SU, issued February 6, 2001, in Docket No. 19991643-SU, *In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.*

utility provided associated interest income of \$17,010. Consistent with our practice, we have made an adjustment to include the interest income in the above-the-line revenues and find that the cash accounts shall remain in working capital.

B. Other Audit Adjustments

Our audit staff also made an adjustment to reduce unamortized debt discount and expense by \$233 and an adjustment to increase accounts payable by \$41. Both adjustments were made to recognize amounts that were not included in the MFRs. KWRU did not dispute these adjustments. As such, the adjustments to reduce unamortized debt discount and expense and to increase accounts payable be made, resulting in a net decrease of \$274 (-\$233 - \$41).

C. Miscellaneous Expense

We have made an adjustment to remove non-recurring expenses from O&M. As such, a corresponding adjustment to increase working capital by \$3,170 to recognize the unamortized balance of non-recurring expenses shall be made.

Based on the above, we find that the appropriate working capital allowance is \$1,442,290. As such, the working capital allowance shall be increased by \$2,896 (-\$274 + \$3,170).

Rate Base

Based upon the utility's adjusted 13-month average test year balances and our adjustments, the appropriate 13-month average rate base is \$10,105,637. Schedule No 1A reflects our rate base calculations. Our adjustments to rate base are shown on Schedule 1B attached hereto.

Customer Deposits

In its MFRs, the utility reflected \$332,635 in customer deposits at a cost rate of 2.00 percent. We do not have any adjustments to customer deposits. Therefore, the appropriate amount of customer deposits to include in the capital structure is \$332,635.

Cost of Long-Term Debt

In its MFRs, the utility requested a cost rate for long-term debt of 5.90 percent. KWRU included a pro forma adjustment to replace its existing loan instrument with a new loan. The MFRs denote the existing loan carried a cost rate of prime + 0.50 percent, or 8.00 percent, and the new loan carries a fixed cost rate of 5.90 percent.¹⁸ We do not have any adjustments. Therefore, we find that the appropriate cost rate for long-term debt is 5.90 percent.

Return on Equity

In its MFRs, the utility requested an ROE of 10.05 percent based on the current leverage formula in effect.¹⁹ We reviewed KWRU's request and has found an error in the calculation.

¹⁸The current U.S. prime rate is 7.50 percent.

¹⁹Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024, in Docket No. 20240006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(j), F.S.*

The leverage formula utilizes the equity ratio which is comprised of investor sources of capital.²⁰ However, the utility included customer deposits in its calculation of the equity ratio. We have recalculated the ROE using the correct sources of capital. The appropriate ROE is 9.95 percent based on the leverage formula currently in effect.

Weighted Average Cost of Capital (WACC)

In its MFRs, the utility requested a capital structure based on a 13-month average as of June 30, 2024, consisting of common equity in the amount of \$5,664,435 (57.05 percent) and long-term debt in the amount of \$4,264,575 (42.95 percent) as a percentage of investor supplied capital. KWRU appropriately used the 13-month average to determine the capital structure for Class A utilities as required by Rule 25.30.433(5), F.A.C., with a pro forma addition to long-term debt to reflect the new long-term debt instrument. The utility's request in its filing is reflected in Table 2 below.

Table 2
KWRU Requested Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long-Term Debt	\$4,264,575	41.56%	5.90%	2.45%
Common Equity	5,664,435	55.20%	10.05%	5.55%
Customer Deposits	<u>332,635</u>	<u>3.24%</u>	2.00%	<u>0.06%</u>
Total	<u>\$10,261,645</u>	<u>100.00%</u>		<u>8.06%</u>

Source: MFR Schedule D-1

The weighted average cost of capital is a fallout issue that combines the cost rates and amounts of the capital components into a final rate of return. Consistent with our recent decisions, we have reconciled the capital structure to the rate base using all sources of capital.²¹ The appropriate weighted average cost of capital is presented in Schedule No. 2 and in Table 3 below.

Table 3
Approved Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long-Term Debt	\$4,170,212	41.27%	5.90%	2.43%
Common Equity	5,539,095	54.81%	9.95%	5.46%
Customer Deposits	<u>396,331</u>	<u>3.92%</u>	2.00%	<u>0.08%</u>
Total	<u>\$710,105,638</u>	<u>100.00%</u>		<u>7.97%</u>

²⁰Equity Ratio = Common equity / (Common Equity + Preferred Equity + Long-Term and Short Term Debt)

²¹Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-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 Sunshine Water Services Company*; Order No. PSC-2025-0035-PAA-GU, issued January 30, 2025, in Docket No. 20240046-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*; Order No. PSC-2024-0046-PAA-WS, issued February 22, 2024, in Docket No. 20230081-WS, *In re: Application for increase in water and wastewater rates in Broward County by Royal Waterworks, Inc.*

Based on the proper components, amounts, and cost rates associated with the capital structure for the 13-month average test year ended June 30, 2024, the appropriate weighted average cost of capital for KWRU for purposes of setting rates is 7.97%, as reflected in Schedule No. 2.

Operating Revenues

In its revised MFRs, the utility reflected total test year operating revenues of \$3,920,642. The wastewater revenues included \$3,827,254 of service revenues and \$93,388 of miscellaneous revenues.

In response to Audit Request No. 18, the utility made a couple of adjustments to the billing determinants to reflect the appropriate number of bills for the 1-1/2 inch general service meter size and a 3 inch private lift station owner. The general service 1-1/2 inch meter size reflected 84 bills; however, 24 bills were unaccounted for and not included in the MFRs. Furthermore, the utility erroneously misclassified the private lift station owner as general service customer, which represented 12 bills. Therefore, we have made corresponding adjustments to reflect the appropriate number of bills for the private lift station owner and the general service customers. We determined test year service revenues by applying the current rates to the adjusted billing determinants. These adjustments resulted in service revenues of \$3,833,643, which is an increase of \$6,389 (\$3,833,643 - \$3,827,254).

Further, in response to Audit Request No. 19, a couple of adjustments were made by us to miscellaneous revenues. As shown in the MFRs, the miscellaneous revenues included initial revenues of \$38,244. However, the utility indicated that those revenues should have been classified as other miscellaneous revenues. We determined that the \$38,244 were engineering and administrative costs related to developer agreements, which should have been classified as CIAC. Therefore, we removed \$38,244 from miscellaneous revenues. In addition, we increased other revenues by \$17,010 to reflect other income earned on interest bearing accounts. These adjustments result in total miscellaneous revenues of \$72,155 (\$93,388 - \$38,244 + \$17,010), which is a decrease of \$21,233 (\$72,155 - \$93,388).

Based on the above, the test year operating revenues shall be decreased by \$14,844 (\$6,389 - \$21,233).

Rate Case Expense

In its MFRs, KWRU's requested \$251,465 for current rate case expense. We requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On May 9, 2025, the utility submitted its last revised estimate of the rate case expense, through completion of the PAA process, which totaled \$155,253.

Table 4
KWRU Requested Rate Case Expense

Description	Actual	Additional Estimated	Revised Total
Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A. - Martin Friedman	\$11,166	\$12,651	\$23,816
Smith, Hawks, P.L.	22,755	6,033	28,788
Milian, Swain & Associates	76,248	13,840	90,088
M&R Consultants	2,992	1,520	4,512
The Weiler Engineering Corporation	1,005	0	1,005
Filing Fee	4,500	0	4,500
Customer Notices, Printing, and Shipping	<u>1,216</u>	<u>1,328</u>	<u>2,544</u>
Total	<u>\$119,881</u>	<u>\$35,371</u>	<u>\$155,253</u>

A. Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A.

The utility requested rate case expense totaling \$49,200 along with \$3,800 in additional expenses for Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A. in its MFRs. The utility provided documentation detailing rate case expense through April 30, 2025. The actual fees totaled \$11,166, with \$716 of this amount as expenses associated with the legal fees. An estimated cost of \$11,962 in remaining attorney fees was included, as well as the costs to complete the case, \$688 in travel expenses to attend our Agenda Conference, totaling to \$23,816 in rate case expense for Mr. Friedman. Upon review of the invoices, we found an adjustment increasing rate case expense by \$360 was necessary due to a discrepancy in the amount provided by Mr. Friedman and the amount we calculated. Another adjustment reducing rate case expense by \$205 was found to be necessary in order to remove hours billed associated with deficiency review, as it is our policy to remove these costs. We have calculated the amount allowed for Mr. Friedman to be \$23,971.

B. Smith Hawks, PL

In addition to Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A., the utility retained the law firm Smith Hawks, PL to assist in legal services. The utility requested \$67,500 in total rate case expense for Smith Hawks, PL in its MFRs. The utility provided documentation detailing rate case expense through March 15, 2025. In this update, the utility stated the actual billed attorney fees totaled \$22,755. Based on the support documentation provided, we recalculated this amount to be \$21,689 and therefore make an adjustment decreasing rate case expense by \$1,066. The utility estimates remaining legal fees for Mr. Smith to be \$6,000, with \$33 in estimated costs remaining, bringing the total to \$27,722.

In KWRU's last rate case, we reviewed the hourly rates of the attorneys representing KWRU and found Mr. Smith's hourly rate to be too high. In that case, we limited Mr. Smith's rate to match Mr. Friedman's rate.²² In response to our staff's third data request, the utility provided an explanation as to why Mr. Smith's rate was reasonable. The utility stated Mr.

²²Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Smith's current hourly rate is \$750, but most of the work was being performed by a paralegal at a rate of \$225 an hour. The utility stated the rate used in the MFRs estimate represents a blending of the rates based on allocation of work. We reviewed the documentation regarding rate case expense and found Mr. Smith's hourly rate from the invoices, of \$675 to be high when compared to the other attorneys. KWRU's other primary counsel, Mr. Friedman, who was further discussed above, charges an hourly rate of \$435. Mr. Friedman's law firm, unlike Smith Hawks PL, specializes in representing water and wastewater utilities in the State of Florida. The Smith Hawks PL law firm has much less experience before this Commission and it is not reasonable that its hourly charges should be higher. Given Mr. Friedman's years of experience as a utility regulatory attorney, we find that Mr. Friedman's hourly rate of \$435 serves as a reliable benchmark for a reasonable hourly rate. Therefore, we adjusted Mr. Smith's hourly rate of \$675 to \$435 an hour. This results in a reduction of \$7,102. Based on the adjustments discussed above, we find the rate case expense for Smith Hawks, PL to be \$20,620.

C. Milian, Swain & Associates, Inc.

The utility requested \$92,860 in rate case expense for Milian, Swain, & Associates, Inc. in its MFRs, as well as \$390 for various expenses. \$24,360 of this requested amount was for Deborah Swain, \$66,500 was for Cynthia Yapp, and \$2,000 was for Carolina Bastidas. The utility provided documentation detailing rate case expense through April 30, 2025. In this update, the utility stated their actual rate case expense amount charged to be \$76,248. Of this amount, \$15,298 was for Deborah Swain, \$56,383 was for Cynthia Yapp, and \$250 was for Carolina Bastidas. The revised estimate included \$9,280 remaining for Deborah Swain and \$4,560 remaining for Cynthia Yapp to complete the case, totaling to a revised estimate of \$90,088 for total rate case expense. We recalculated the actual fees using the bills provided and found the actual amount to be \$71,930, and therefore make an adjustment decreasing rate case expense by \$4,318. Also, the utility did not provide documentation for the \$390 requested in the MFRs for expenses. Based on these adjustments, we find that \$85,770 in rate case expense for Milian, Swain & Associates, Inc. is appropriate, a decrease of \$7,090 from the amount requested in the MFRs.

D. M&R Consultants

The utility requested \$5,700 in rate case expense for M&R Consultants in its MFRs. The utility provided documentation detailing rate case expense through March 17, 2025. The amount for M&R Consultants remained unchanged from that point in the rate case. The actual fees totaled \$2,992 with \$1,520 remaining to complete the case, a total of \$4,512. We find that this updated amount is reasonable and make no adjustments to this total. Therefore rate case expense for M&R Consultants shall be reduced by \$1,188 from the amount requested in the utility's MFRs.

E. The Weiler Engineering Corporation

In its MFRs, the utility requested \$25,085 in rate case expense for the Weiler Engineering Corporation. The utility provided documentation detailing rate case expense through for the Weiler Engineering Corporation. The actual fees totaled \$1,005. We find this updated amount is reasonable and make no additional adjustments. The rate case expense requested in the MFRs for the Weiler Engineering Corporation shall be reduced by \$24,080.

F. Miscellaneous Expenses

In its MFRs, the Utility included \$2,430 for printing and shipping expenses associated with the rate case expense. On March 27, the utility provided invoices for printing and shipping expenses totaling \$1,216. We find that this amount is reasonable and no additional adjustments shall be made to the printing and shipping expenses. The Utility also included \$1,328 in travel fees to attend our Agenda Conference. Therefore, miscellaneous expenses shall be increased by \$114 from the amount requested in the utility's MFRs to include the travel expenses.

G. Filing Fee

The utility included \$4,500 for the filing fee in its MFRs. This fee was paid by Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A. on behalf of the company. No adjustment is needed.

Based upon the adjustments discussed above, KWRU's requested rate case expense of \$251,465 shall be decreased by \$108,541 for a total of \$142,924. A breakdown of the rate case expense is as follows:

Table 5
Rate Case Expense

Description	Utility Revised Total (Actual & Estimated)	Approved	Total
Legal Fees	\$52,605	(\$8,013)	\$44,593
Accounting Consultant Fees	90,088	(4,318)	85,770
Engineering Consultant Fees	5,518	0	5,518
Filing Fee	4500	0	4,500
Printing, Shipping, and Travel	<u>2,544</u>	<u>0</u>	<u>2,544</u>
Total	<u>\$155,255</u>	<u>(\$12,331)</u>	<u>\$142,924</u>

Source: Staff's calculations

The total rate case expense of \$142,924 shall be amortized over four years, pursuant to Section 367.081(8), F.S., as the utility did not request a longer period of amortization. This represents an annual expense of \$35,731. Based on the utility's MFR filing, the annual amortization of rate case expense of \$62,866 for the instant docket shall be decreased by \$27,135.

Pro Forma Expenses

A. Employee Pension and Benefits

The utility included a corresponding pro forma increase of \$26,320 to employee pension and benefits expense for the requested increase in salaries and wages expense of \$51,352. This increase was comprised of two parts: a benefit calculation amount of 23.36 percent, calculated as the total test year pensions and benefits expense divided by salaries and wage expense as

presented in the MFRs (\$322,598 / \$1,381,238), and an additional one percent of traditional pension times the total salaries equaling \$14,326.

A review of the calculation of the pension and benefits expense reveals that the Board of Directors receives stipends and health insurance reimbursements totaling \$148,100 (\$84,000 + \$64,100). KWRU's general ledger specifically identifies the Board members' payments as stipends. Stipends are not considered to be traditional wages by definition, are not based on the services or hours worked, and are not subject to Social Security or Medicare taxes as salaries are. Likewise, the health insurance reimbursements paid to the Board members are not for the same health insurance that the employees and officers receive through the company, and it is unknown if the insurance is comparable in benefits or costs. As such, these expenses shall be excluded from the pension and benefits expense calculation for employees and officers receiving salaries and wages.

We have recalculated the percentage used to determine the requested pensions and benefits expense. When our adjustments are removed from the computation, the resulting percentage is 19.93 (\$258,498 / \$1,297,238). Using 19.93 percent for the pension and benefits calculation and the pro forma amount of salaries and wages expense of \$51,352 results in \$10,234 rather than \$11,994, which is a difference of \$1,760.

For the second part of the pro forma employee pension and benefits expense of \$14,326, KWRU was asked to clarify the need for the additional one percent of traditional pension times the total salaries, and the utility responded in a data request that this one percent should be removed.

This results in a total appropriate amount of \$10,234 for pro forma employee pension and benefits expense, with a reduction of \$16,086 (\$1,760 + \$14,326).

B. Workers' Compensation

The utility's MFR Schedule B-3 reflected a corresponding workers' compensation expense increase of 4.4 percent of the requested pro forma salaries and wage expense. We are unable to determine how the utility arrived at this percentage for the worker's compensation calculation. Workers' compensation expense should be based on the actual salaries and wages expense for both the employees and officers. The cost of stipends paid to the board members has been excluded. The percentage of test year workers' compensation expense shall be based on the total salaries and wage expense, less the Board of Directors stipend amounts (\$33,730 divided by \$959,159 + \$422,079 - \$84,000). This results in a ratio of 2.60 percent which best represents the pro forma workers' compensation expense. Therefore, a pro forma workers' compensation expense of \$1,335 (\$51,352 x 2.6%), resulting in a reduction of \$879, is appropriate.

C. Pro Forma O&M Projects

In its filing, the utility requested two O&M pro forma projects, which are both required by DEP: the Engineering Permit Renewal and Collection System Action Plan (CSAP) Preparation projects. Section 367.081, F.S., provides that we shall approve rates for service which allow a utility to recover the full amount of environmental compliance costs.

Engineering Permit Renewal

For the WWTP to remain in operation, DEP requires a permit renewal application every five years. Based on the WWTP's current permit expiration date of February 22, 2027, and Rule 62-620.335(1), F.A.C., the engineering permit renewal application must be submitted 180 days before the expiration date; therefore, the application must be completed no later than August 26, 2026. The utility requested a pro forma O&M expense of \$40,000 to complete this project, to be amortized over a five year period. This estimated expense is based on recent permit renewals from similarly sized facilities in Monroe County.²³ As the project is required by a governmental entity, we approve the project and associated costs. The proposed amortization period is consistent with the frequency of the permit requirements, and therefore is appropriate. For these reasons, no adjustments are needed for this pro forma expense.

CSAP Preparation

Pursuant to Rule 62-600.705(2), F.A.C., which became effective on June 28, 2023, DEP now requires wastewater facilities to develop a pipe assessment, repair, and replacement action plan for the facility's collection system. A summary of this plan must be submitted to DEP with the next facility permit application for any new permit, permit renewal, or substantial permit revision. The intended goal of the CSAP is to prevent SSO events and leakages that may endanger public health and the environment. The project must be completed in advance of the utility's August 26, 2026 permit renewal date and is currently scheduled to be completed by December 29, 2025. The utility requested a pro forma O&M expense of \$335,000 for the CSAP Preparation project, to be amortized over a five year period. The cost is based on an agreement with Weiler Engineering Corporation, the utility's primary engineering advisor, and is estimated to be completed by October 2025. As the project is required by a governmental entity, we approve the project and associated costs. The proposed amortization period is consistent with the frequency of the permit requirements, and therefore is appropriate. No adjustments are needed for this pro forma expense.

Based on the adjustments above, pro forma expenses are decreased by \$16,965 (\$16,086 + \$879).

O&M Expenses

KWRU did not contest the adjustments made in our staff's audit report set forth in the table below.

²³Document No. 04037-2025, filed on May 29, 2025, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Table 6
Description of Audit Adjustments

Account 701 –Salaries and Wages - Employees	Discrepancy between the General Ledger and the payroll support documentation.	\$ 2,700
Account 703 –Salaries and Wages – Officers	Discrepancy between the General Ledger and the payroll support documentation.	(2,700)
Account 704 –Employee Pensions and Benefits	Employee examination fee charged incorrectly to another account.	100
Account 711 – Sludge Removal Expense	Improperly billed charge that was disputed and credited outside of the test year.	(4,549)
Account 720 – Materials and Supplies	To remove out-of-period expenses and reclassify one expense to another account.	(800)
Account 731 – Contractual Services-Engineering	To remove an out-of-period expense.	(5,203)
Account 735 – Contractual Services – Testing	To remove out-of-period expenses.	(840)
Account 750 – Transportation Expense	Reduction for vehicle repair work that was reimbursed by insurance and due to expenses reclassified.	(1,674)
Account 757 – General Liability Insurance	To correct amount for the actual expense incurred rather than the total monthly accrual amount used by the utility.	1,219
Account 760 – Advertising Expense	To remove out-of-period expenses.	(70)
Account 775 – Miscellaneous Expenses	To remove social membership dues and to include a cell phone expense that was omitted by the utility.	(1,350)
	Total Audit O&M Adjustments	<u>(\$13,167)</u>

Additionally, we have made several adjustments to the O&M expenses after reviewing the utility's MFRs and responses to data requests.

A. Salaries and Wages

In its filing, the utility included \$959,159 for salaries and wages expense of employees and \$422,079 for salaries and wages expense for officers and directors. We reviewed comparable salary compensation data filed in support of employee salaries and have no adjustments. The salaries and wages expense for officers and directors account included a stipend for each of the three board members. The Board of Directors receive compensation which consists of two Directors receiving monthly stipend payments at an annual rate of \$24,000 and a Chairman receiving monthly stipend payments at an annual rate of \$36,000.

We reviewed the information submitted by KWRU for comparable compensation paid to board members for both the Keys Energy Services (KES) and the Florida Keys Aqueduct Authority (FKAA). KES has five elected board members who provide direction for a company with approximately 28,000 customers and an operating revenue of approximately \$119 million.

KES' board is comprised of a chairman and four directors, and the board meets twice a month. The chairman receives compensation in the amount of \$28,000 annually, and the other four board members each receive \$24,520 annually. All members of KES' board also receive health insurance coverage.

FCAA has five board members who are appointed by Florida's Governor, and who provide direction for a company with more than 55,000 customers and an operating revenue of over \$90 million. Each board member receives \$584 per meeting, with twelve scheduled meetings per year, and the possibility of four to six additional meetings. These board members also receive health insurance coverage.

We find that the level of current director fees for KWRU is excessive, as it is a much smaller utility by comparison, with less than two thousand customers and less than four million dollars in revenue. Based on the data comparisons provided by the utility, we are limiting the annual stipends of the two Directors to \$7,008, which is equivalent to what the FCAA board members receive for twelve meetings per year. The Chairman's annual stipend currently reflects one and one-half the amount of the Directors' annual stipend. Thus, we find that an annual stipend of \$10,512 ($\$7,008 \times 1.5$) for the Chairman is appropriate.

In total, the appropriate amount of director fees shall be \$24,528 ($\$7,008 + \$7,008 + \$10,512$). As such, the salaries and wages for officers and directors shall be decreased by \$59,472.

B. Employee Pension and Benefits

Each of the three board members also receive monthly full health insurance premium reimbursements at a cost of \$21,367 each per year for a total \$64,100 during this test year. As they are not employees nor are the directors' health insurance premiums included in the utility's biweekly payment of health insurance payments, these health insurance reimbursements are additional monetary compensation for the board members. Health insurance reimbursements are not a standard investor-owned utility practice for board members' compensation and are inappropriate as the directors are already being compensated through stipends. Therefore, the \$64,100 currently recorded as monthly board of directors' health reimbursements in the employee pension and benefits account shall be excluded from test year O&M expenses.

C. Miscellaneous Expenses

During a review of the utility's miscellaneous expenses, months with higher computer related expenses were noted. KWRU confirmed that \$3,298 in expenses related to setting up an employee's telework station were non-recurring, as were \$665 in expenses related to a security camera set up. For that reason, amortizing \$3,963 ($\$3,298 + \665) over a 5-year period, pursuant to Rule 25-30.433(8), F.A.C., is appropriate. This results in a decrease of \$3,170. Additionally, the utility stated that one of the phones included in the test year expenses is no longer being utilized by the utility. Thus, the phone amount of \$659 shall be removed from the miscellaneous expenses. Based on the above, an adjustment shall be made to reduce the miscellaneous expenses in the amount of \$3,829 ($\$3,170 + \659).

D. Capitalized O&M Expenses

As discussed above, we have reclassified these revenues as CIAC, along with the capitalization of the associated costs. Therefore, a corresponding adjustment shall be made to reduce O&M expenses by \$38,244 to reflect the removal of the costs being capitalized.

Based on the adjustments above, O&M expenses shall be reduced by a total of \$216,969 ($\$13,166 + \$59,472 + \$64,100 + \$3,829 + \$38,157 + \$38,244$).

Taxes Other Than Income

Based on our staff's Audit Finding No. 3, the following adjustments shall be made. Test year regulatory assessment fees shall be increased by \$329. To reflect the decrease in the 2024 property tax assessments from \$10,914 to \$8,751, property taxes shall be reduced by \$2,162 ($\$8,751 - \$10,914$). There shall also be a decrease of \$100 made to Other Licenses and Permits to reflect the DEP licensing examination fee of \$100, which was included in the original amount in the MFRs and should have been charged to Account 704. In total, test year TOTI shall be decreased by \$1,933 ($\$329 - \$2,162 - 100$) to reflect our staff's audit. The utility did not dispute these adjustments.

All additional adjustments are fallouts. Based on our adjustments to test year revenues, and to remove the utility's requested increase, regulatory assessment fees shall be reduced by \$41,787. Property tax associated with the pro forma additions shall be reduced by 4 percent to reflect the property tax discount available to KWRU for payments made in November. It is our practice to include the lowest property tax amount in expenses so the ratepayers do not pay for the Utility's decision to pay late. In total, TOTI shall be reduced by \$44,427 ($\$1,933 + \$41,787 + \708) before calculating the revenue requirement increase.

Depreciation Expense

This is a fallout issue. In addition to the depreciation expense adjustments discussed above, corresponding adjustments shall be made to reflect our adjustments for salvage value and operating revenues. Depreciation expense shall be reduced by \$765 to reflect our adjustments for salvage value. To reflect Audit Finding No. 6, depreciation expense shall be increased by \$64,058. A calculation error was found in the Audit Report after its issuance and it does not reflect the correct adjustment. To reflect our adjustment to reclassify certain costs reflected as miscellaneous revenues in the test year, a corresponding adjustment shall be made to increase depreciation expense by \$1,275. To reflect the capitalization of O&M expenses, depreciation expense shall be increased by \$2,186.

Based on the above, depreciation expense shall be increased by \$66,755 ($-\$765 + \$64,058 + \$1,275 + \$2,186$).

Amortization of CIAC

In its filing, KWRU reflected test year CIAC amortization expense of \$398,765. Our audit staff found no issue with this amount. We have made a non-used and useful adjustment to rate base that includes a corresponding adjustment to CIAC amortization expense. A corresponding adjustment shall be made to increase amortization of CIAC amortization expense by \$1,275 to reflect the CIAC adjustment previously made.

Revenue Requirement

In its filing, KWRU requested a revenue requirement to generate annual revenue of \$4,834,390. KWRU's requested revenue requirement represents a revenue increase of \$913,843, or approximately 23.31 percent.

Consistent with our decisions on rate base, cost of capital, and operating expenses, we find that the appropriate revenue requirement is \$4,601,089. This revenue requirement of \$4,601,089 is \$695,291 greater than the adjusted test year revenue of \$3,905,798 or an increase of 17.80 percent. The \$4,601,089 revenue requirement will allow the Utility the opportunity to recover its expenses and earn a 7.97 percent return on its investment in rate base.

Rate Structures and Rates

KWRU provides wastewater service to approximately 1,439 residential customers, 183 general service customers, and 220 private lift station owners. Currently, the wastewater rate structure for residential customers consists of a monthly uniform base facility charge (BFC) for all meter sizes and gallonage charge with a 10,000 gallonage cap. The general service rate structure consists of BFCs by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

We performed an analysis of the utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater customers. The goal of the evaluation was to select the rate design parameters that: 1) produce the approved revenue requirement; 2) equitably distribute cost recovery among the utility's customers; and 3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Currently, the utility's BFC allocation is 38 percent of the wastewater revenue. Consistent with our practice, 50 percent of the wastewater revenue was allocated to the BFC due to the capital intensive nature of wastewater plants. The utility's current wastewater gallonage cap is set at 10,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. Based on our review of the billing data, we find that the gallonage cap for residential customers shall remain at 10,000 gallons. The general service gallonage charge shall continue to be 1.2 times greater than the residential gallonage charge, which is consistent with our practice.

In addition, wastewater rates are calculated on customers' water demand; if those customers' water demand is expected to decline due to repression, then the billing determinants used to calculate wastewater rates should be adjusted accordingly. In determining the number of wastewater gallons subject to repression, we use the gallons between the non-discretionary threshold and the wastewater gallonage cap and apply the percentage reduction in water gallons. In this case, there is no water system to calculate repression. Therefore, a repression adjustment for wastewater is not applicable.

The appropriate rate structure and rates for wastewater service are shown on Schedule No. 4. The utility shall file revised tariff sheets and a proposed customer notice to reflect rates we have approved. The approved rates 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. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer

notice and the notice has been received by customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Reuse Rates

In its MFRs, KWRU proposed a reuse rate of \$2.33. The utility provides reuse service to three general service customers in Monroe County. The current reuse rate for these customers is \$1.88 per 1,000 gallons. The utility's primary method of disposal of the treated wastewater is through reuse. Reuse rates are market based rather than cost based. This provides an incentive to encourage customers to use the reuse. In addition, there are cost savings associated with providing reuse to customers rather than purchasing land for disposal of the treated wastewater.

A review of reuse rates charged throughout Monroe County listed in the Florida Department of Environmental Protection's 2025 Reuse Inventory Report indicates that KWRU's proposed reuse rate is lower than other providers in the county. During our review of the utility's reuse rates, we determined that the utility applied an across-the-board increase, consistent with the overall revenue increase, to the existing reuse rate for its proposed reuse rate.²⁴ Over the past few years, we have approved across-the-board increases to reuse rates. The utility's methodology of applying an across-the-board increase is appropriate and reasonable in this case because the resulting reuse rate is below the market in KWRU's respective county. Therefore, we find appropriate an across-the-board increase of 9.81 percent to the existing reuse rate commensurate with the overall increase in wastewater.

We find that the appropriate rate for KWRU's reuse service is \$2.05 per 1,000 gallons. The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Miscellaneous Service Charges

The utility did not request to revise its existing miscellaneous service charges. Section 367.091, F.S., authorizes us to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The utility's miscellaneous service charges include an initial connection charge of \$77.40 for normal hours and \$79.01 for after hours. In addition, the miscellaneous service charges include a normal reconnection charge of \$89.50 for normal hours and \$91.36 for after hours. Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges and these shall be removed from the tariff. The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. Since the premises visit entails a broader range of tasks, the premises visit charge shall reflect the amount of the normal reconnection charge, which is \$89.50 for normal business hours and \$91.36 for after hours calls.

²⁴See Order No. PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, *In re: Application for increase in water and wastewater in Seminole County by Sanlando Utilities Corporation*.

Based on the above, the initial connection and normal reconnections charges shall be removed. The premises visit charge shall be revised to \$89.50 for normal hours and \$91.36 for after hours. The definition for the premises visit charge shall be updated to comply with Rule 25-30.460, F.A.C. The utility shall be required to file a proposed customer notice to reflect charges approved by us. The approved charges shall be effective for services rendered or connections made 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 shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of notice.

Lift Station Cleaning Charge

KWRU's lift station cleaning charge was established in 2017.²⁵ Subsequently, the charge has been indexed yearly to the existing charge of \$1,807.92. The charge was designed to allow the utility to recover the costs associated with cleaning the Monroe County Detention Center lift station. KWRU did not request changes to its lift station cleaning charge; however, it is appropriate to update the charge with current actual costs to ensure the burden of this cost is on the cost causer. The utility provided cost justification for an updated charge of \$2,354.25 as shown in Table 7. Based on the utility's cost justification, the chart accurately reflects current costs.

Table 7
Lift Station Cleaning Charge

Activity	Cost	Activity
Labor (\$30/hr x 1.5 hrs)	\$45.00	Labor (\$30/hr x 1.5 hrs)
Disposal Cost (\$28.88 per 100lbs)	\$28.36	Disposal Cost (\$28.88 per 100lbs)
Supplies	<u>\$4.04</u>	Supplies
Total Per Day	<u>\$77.40</u>	Total Per Day
Annual Charge (\$77.40 x 365)	\$28,251.00	Annual Charge (\$77.40 x 365)
Monthly Charge (\$28,251/12)	\$2,354.25	Monthly Charge (\$28,251/12)

Source: Utility's cost justification

The appropriate lift station cleaning charge for KWRU is \$2,354.25. The approved charge shall be effective for services rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475. F.A.C. In addition, the approved charges shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. KWRU shall provide proof of the date notice was given within 10 days of the date of the notice.

²⁵Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in 20150071-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Initial Customer Deposits

Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, we have set initial customer deposits equal to two times the average estimated bill.²⁶ Currently, the utility has an initial customer deposit of \$161 for the 5/8 inch x 3/4 inch meter size. However, this amount does not cover two months' average bills based on approved rates. Based on the utility's average monthly residential consumption, the appropriate initial customer deposit shall be \$201 to reflect an average residential customer bill for two months. The monthly average residential bill is \$100.55.

The initial customer deposit shall be \$201 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for wastewater. The approved initial customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility shall be required to collect the approved deposits until authorized to change them in a subsequent proceeding.

Allowance For Funds Used During Construction

On February 4, 2025, KWRU filed a request to establish an AFUDC rate of 8.06 percent based on its requested WACC in the instant docket. AFUDC is an accounting entry designed to permit a utility to recover the cost associated with financing eligible construction activities. AFUDC is not a tariffed rate or charge.

In accordance with Rule 25-30.116(5), F.A.C., the utility filed Schedules: A, a schedule showing the capital structure, cost rates and WACC that are the basis for the AFUDC rate requested; B, a schedule showing capital structure; and C, a schedule showing the calculation of the monthly AFUDC rate using the methodology set out in Rule 25-30.116(4), F.A.C. In its calculation, KWRU used its requested capital structure comprised of common equity, long-term debt, and customer deposits.

We have reviewed the calculations submitted by KWRU. The utility calculated a WACC and resulting AFUDC rate of 8.06 percent. We approved a WACC of 7.97 percent. Additionally, the utility calculated its proposed AFUDC rate using the 13-month average balance of each component. Pursuant to Rule 25-30.116(3), F.A.C., we recalculated the AFUDC rate using the 12-month average balances and an end of period cost rate for the long-term debt. As such, we approve an AFUDC rate of 7.97 percent. A monthly discounted rate of 0.006410 shall be applied to the qualified construction projects of KWRU.

Rule 25-30.116(6), F.A.C., states that "...The new AFUDC rate shall be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission." KWRU

²⁶Order No. PSC-2015-0142-PAA-SU, issued March 26, 2015, in Docket No. 130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

used a test year ended June 30, 2024. Accordingly, the AFUDC rate shall be effective for qualified construction projects beginning July 1, 2024.

Based on the above, we approve an annual AFUDC rate of 7.97 percent, effective July 1, 2024, with a discounted monthly rate of 0.006410. The approved rate shall be applicable for eligible construction projects beginning July 1, 2024.

Removal of Amortized Rate Case Expense

Section 367.081(8), F.S., requires that rates be reduced immediately following the expiration of the determined amortization period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of \$37,415 of revenue associated with the amortization of rate case expense, the associated return on deferred rate case expense included in working capital, and the gross up for regulatory assessment fees. Using KWRU's current revenues, expenses, capital structure and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule No. 4, attached hereto.

The utility shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. KWRU shall also be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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.

Proof of Adjustment of Books and Records

The utility shall be required to notify us, in writing, that it has adjusted its books in accordance with our ordered adjustments. KWRU shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable National Association of Regulatory Utility Commissioner's Uniform System of Accounts (NARUC USOA) have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice shall be provided within seven days prior to the deadline. Upon providing good cause, our staff is given the administrative authority to grant an extension of up to 60 days.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that K W Resort Utilities Corp.'s Application for Increase in Rates is granted in part and denied in part as set forth herein. It is further

ORDERED that K W Resort Utilities Corp. is authorized to charge the new rates and charges set forth in the body of this order and the attachments and schedules attached hereto. The approved rates shall remain in effect until we authorize a change in a subsequent proceeding. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that the utility shall file revised tariff sheets and a proposed customer notice to reflect the rates and charges approved herein. The approved rates shall be effective for service

rendered on or after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until Commission staff has approved the proposed customer notice and the notice has been received by customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the appropriate initial customer deposit shall be \$201 for the 5/8 inch x 3/4 inch meter for residential service customers. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated bill for wastewater. The approved initial customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility shall collect the approved deposits until authorized to change them by us in a subsequent proceeding. It is further

ORDERED that the utility's wastewater rates shall be reduced as shown on Schedule No. 4, attached hereto. This is to remove rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period and will result in a reduction of \$37,415. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period. KWRU shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for 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 and/or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in rates due to the amortized rate case expense. It is further

ORDERED that K W Resort Utilities Corp. shall submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all 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 shall be provided within seven days prior to the deadline. Upon providing good cause, our staff is given the administrative authority to grant an extension of up to 60 days. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this order, a Consummating Order shall be issued. This docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by our staff, and the utility has notified our staff that the adjustments for all applicable NARUC USOA primary accounts have been made. Once those actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 28th day of July, 2025.



ADAM J. TEITZMAN

Commission Clerk

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

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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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

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.

The action proposed herein, except with regard to the required rate case expense amortization and proof of adjustment of books and records, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 18, 2025.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter 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.

K W Resort Utilities Corp Schedule of Wastewater Rate Base Test Year Ended 06/30/2024			Schedule No. 1-A Docket No. 20240108-SU		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$21,985,301	\$2,132,047	\$24,117,348	\$301,205	\$24,418,553
2 Land and Land Rights	\$375,000	\$0	\$375,000	\$0	\$375,000
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(10,211,165)	(33,033)	(10,244,198)	(423,140)	(10,667,338)
5 CIAC	(12,091,323)	0	(12,091,323)	(38,244)	(12,129,567)
6 Amortization of CIAC	6,665,424	0	6,665,424	1,275	6,666,699
7 CWIP	94,385	(94,385)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>1,439,394</u>	<u>1,439,394</u>	<u>2,896</u>	<u>1,442,290</u>
9 Rate Base	<u>\$6,817,622</u>	<u>\$3,444,023</u>	<u>\$10,261,645</u>	<u>(\$156,008)</u>	<u>\$10,105,637</u>

K W Resort Utilities Corp Adjustments to Rate Base Test Year Ended 06/30/2024	Schedule No. 1-B Docket No. 20240108-SU
Explanation	Wastewater
<u>Plant In Service</u>	
1 To reflect corresponding adjustment to annualize plant.	\$224,804
2 To reflect reclassification of miscellaneous revenues.	38,244
3 To recognize capitalization of O&M expenses.	<u>38,157</u>
Total	<u>\$301,205</u>
<u>Accumulated Depreciation</u>	
1 To reflect Audit Finding No. 4.	\$2,618
2 To reflect Audit Finding No. 6.	(424,447)
3 To recognize salvage value in annualization adjustment.	765
4 To recognize salvage value in pro forma additions.	1,385
5 To recognize capitalization of O&M expenses.	(2,186)
6 To reflect reclassification of miscellaneous revenues.	<u>(1,275)</u>
Total	<u>(\$423,140)</u>
<u>CIAC</u>	
To reflect reclassification of miscellaneous revenues.	<u>(\$38,244)</u>
<u>Accumulated Amortization of CIAC</u>	
To reflect reclassification of miscellaneous revenues.	<u>\$1,275</u>
<u>Working Capital</u>	
1 To reflect Audit Finding No. 1.	(\$274)
2 To reflect corresponding adjustment for amortized O&M expenses.	<u>3,170</u>
Total	<u>\$2,896</u>

K W Resort Utilities Corp Capital Structure-Simple Average Test Year Ended 06/30/2024						Schedule No. 2 Docket No. 20240108-SU		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$2,994,387	\$505,613	\$3,500,000	\$764,575	\$4,264,575	41.56%	5.90%	2.45%
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	4,648,885	0	4,648,885	1,015,550	5,664,435	55.20%	10.05%	5.55%
5 Customer Deposits	332,635	0	332,635	0	332,635	3.24%	2.00%	0.06%
6 Deferred Income Taxes	0	0	\$0	0	\$0	0.00%	0.00%	0.00%
7 Total Capital	<u>\$7,975,907</u>	<u>\$505,613</u>	<u>\$8,481,520</u>	<u>\$1,780,125</u>	<u>\$10,261,645</u>	<u>100.00%</u>		<u>8.06%</u>
Per Commission								
8 Long-term Debt	\$2,994,387	\$505,613	\$3,500,000	\$670,212	\$4,170,212	41.27%	5.90%	2.43%
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	4,648,885	0	4,648,885	890,211	5,539,096	54.81%	9.95%	5.46%
12 Customer Deposits	332,635	0	332,635	63,696	396,331	3.92%	2.00%	0.08%
13 Deferred Income Taxes	\$0	0	\$0	\$0	0	0.00%	0.00%	0.00%
14 Total Capital	<u>\$7,975,907</u>	<u>\$505,613</u>	<u>\$8,481,520</u>	<u>\$1,624,118</u>	<u>\$10,105,638</u>	<u>100.00%</u>		<u>7.97%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>8.95%</u>	<u>10.95%</u>	
OVERALL RATE OF RETURN						<u>7.42%</u>	<u>8.52%</u>	

K W Resort Utilities Corp Statement of Wastewater Operations Test Year Ended 06/30/2024						Schedule No. 3-A Docket No. 20240108-SU	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$3,851,481</u>	<u>\$982,908</u>	<u>\$4,834,389</u>	<u>(\$928,591)</u>	<u>\$3,905,798</u>	<u>\$695,291</u> 17.80%	<u>\$4,601,089</u>
Operating Expenses							
2 Operation & Maintenance	\$2,832,631	\$253,623	\$3,086,254	(\$261,069)	\$2,825,185		\$2,825,185
3 Depreciation	424,360	142,619	566,979	62,710	629,689		629,689
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	288,955	65,114	354,069	(44,427)	309,642	31,288	340,930
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 Total Operating Expense	<u>3,545,946</u>	<u>461,356</u>	<u>4,007,302</u>	<u>(242,787)</u>	<u>3,764,515</u>	<u>31,288</u>	<u>3,795,803</u>
8 Operating Income	<u>\$305,535</u>	<u>\$521,552</u>	<u>\$827,087</u>	<u>(\$685,805)</u>	<u>\$141,282</u>	<u>\$664,003</u>	<u>\$805,285</u>
9 Rate Base	<u>\$6,817,622</u>		<u>\$10,261,645</u>		<u>\$10,105,637</u>		<u>\$10,105,637</u>
10 Rate of Return	<u>4.48%</u>		<u>8.06%</u>		<u>1.40%</u>		<u>7.97%</u>

K W Resort Utilities Corp Adjustment to Operating Income Test Year Ended 06/30/2024	Schedule No. 3-B Docket No. 20240108-SU
Explanation	Wastewater
<u>Operating Revenues</u> 1 To remove requested final revenue increase. (S913,747) 2 To reflect the appropriate amount of operating revenues. (14,844) Total (S928,591)	
<u>Operation and Maintenance Expense</u> 1 To reflect Audit Finding No. 2. (S13,167) 2 To reflect the appropriate amount of salaries & wages - officers. (59,472) 3 To reflect the appropriate amount of pensions & benefits. (80,186) 4 To reflect the appropriate amount of insurance - workman's comp. (879) 5 To reflect the appropriate amount of miscellaneous expense. (3,829) 6 To reflect the appropriate amount of rate case expense. (27,135) 7 To recognize capitalization of O&M expenses. (38,157) 8 To reflect reclassification of miscellaneous revenues. (38,244) Total (S261,069)	
<u>Depreciation Expense - Net</u> 1 To reflect Audit Finding No. 6. \$64,058 2 To recognize salvage value in annualization adjustment. (765) 3 To recognize salvage value in pro forma additions. (2,770) 4 To reflect reclassification of miscellaneous revenues to amort exp. (1,275) 5 To reflect reclassification of miscellaneous revenues to dep Exp. 1,275 6 To recognize capitalization of O&M expenses. 2,186 7 To reflect net non-used and useful adjustment. 0 Total \$62,710	
<u>Taxes Other Than Income</u> 1 To remove RAFs on revenue adjustments above. (S41,787) 2 To reflect Audit Finding No. 3. (1,933) 3 To reflect 4 percent discount on property tax (708) Total (S44,427)	