

FLORIDA PUBLIC SERVICE COMMISSION

Item 12

VOTE SHEET

August 7, 2018

FILED 8/7/2018
DOCUMENT NO. 05139-2018
FPSC - COMMISSION CLERK

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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

Recommendation: The overall quality of service for the KWRU wastewater system is satisfactory.

APPROVED

Issue 2: Was the Utility’s use of single source bidding reasonable and prudent for certain pro forma plant additions, and if not, what action should the Commission take regarding these pro forma projects?

Recommendation: Staff recommends sole source bidding for the WWTP rehabilitation project was appropriate. The bidding process used for the lift station replacement and modular office building was also appropriate.

APPROVED

COMMISSIONERS ASSIGNED: Polmann, Clark, Fay

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink]

REMARKS/DISSENTING COMMENTS: Attached are oral modification (DN 05091-2018) and replacement page 7 to oral modification (DN 05102-2018). Staff given administrative authority to reflect fallout calculations from rate modification in rate schedules.

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(Continued from previous page)

Issue 3: What adjustments, if any, should be made to account for the audit findings related to rate base?

Recommendation: No adjustments are necessary to rate base.

APPROVED

Issue 4: What is the appropriate amount of plant in service to be included in rate base?

Recommendation: The appropriate balance of plant in service is \$18,851,107. Accordingly, plant in service should be decreased by \$1,036,688.

APPROVED

Issue 5: What is the appropriate amount of accumulated depreciation to be included in rate base?

Recommendation: The appropriate balance of accumulated depreciation to be included in rate base is \$5,236,657. Accordingly, accumulated depreciation should be reduced by \$1,041,034.

APPROVED

Issue 6: What is the appropriate amount of CIAC to be included in rate base?

Recommendation: The appropriate amount of contributions-in-aid-of-construction (CIAC) to be included in rate base is \$10,406,318. Accordingly, there should be no adjustments to CIAC.

APPROVED

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Issue 7: What is the appropriate amount of accumulated amortization of CIAC to be included in rate base?

Recommendation: The appropriate amount of accumulated amortization of CIAC to be included in rate base is \$3,898,064. Accordingly, there should be no adjustments to accumulated amortization of CIAC.

APPROVED

Issue 8: What are the used and useful percentages of the Utility's wastewater treatment plant and wastewater collection system?

Approved Stipulation: The Wastewater Collection System is 100% Used and Useful; the Wastewater Treatment Plant is 71.5% Used and Useful.

APPROVED

Issue 9: What is the appropriate working capital allowance to be included in rate base?

Recommendation: The appropriate working capital allowance to be included in rate base is \$1,095,946. Therefore, working capital allowance should be reduced by \$1,123,186.

APPROVED *with oral modification*

Issue 10: What is the appropriate rate base? (fall out)

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$6,080,883.

APPROVED

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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Issue 11: What is the appropriate capital structure?

Approved Stipulation: The appropriate capital structure consists of 49.43 percent common equity and 50.57 percent long-term debt based on investor sources before reconciliation to rate base.

APPROVED

Issue 12: What is the appropriate return on equity?

Approved Stipulation: The appropriate return on equity is 10.39 percent based on the current leverage formula.

APPROVED

Issue 13: What is the appropriate cost of long-term debt?

Recommendation: The appropriate cost of long-term debt is 5.39 percent.

APPROVED

Issue 14: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the proper components, amounts and cost rates associated with the capital structure for the test year ended June 30, 2017, the appropriate weighted average cost of capital for purposes of setting rates in this proceeding is 7.67 percent.

APPROVED

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Issue 15: What are the appropriate billing determinants (factored ERCs and gallons) to use to establish test year revenues?

Recommendation: The appropriate billing determinants to use to establish test year revenues are 30,128 factored ERCs, 217,179,000 gallons for wastewater service, and 40,608,000 gallons for reuse service.

APPROVED

Issue 16: What are the appropriate test year revenues?

Recommendation: Staff recommends the appropriate test year revenues are \$2,359,611.

APPROVED

Issue 17: What adjustments, if any, should be made to account for the audit findings related to net operating income?

Recommendation: Operation and Maintenance (O&M) expense should be adjusted to account for Audit Finding 4, as reflected in Issues 20, 21, and 27.

APPROVED

Issue 18: What is the appropriate amount of salaries and wage expense?

Recommendation: The appropriate amount of salaries and wage expense is \$930,485. Accordingly, salaries and wage expense should be decreased by \$83,645.

APPROVED

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Issue 19: What is the appropriate amount of employee pensions and benefits expense?

Recommendation: The appropriate amount of employee pensions and benefits expense is \$214,070. Accordingly, employee pensions and benefits expense should be decreased by \$3,487. KWRU should be required to submit documentation to the Commission for the profit sharing plan detailing the percentage of contribution allocated to each employee and officer of the Utility on a yearly basis as a supplemental schedule to be included with the Company's annual report. If the Utility reduces its contribution or terminates the plan, the Utility should notify the Commission in writing within 30 days. If the plan is modified or terminated, the Commission may take further action, if necessary.

APPROVED

Issue 20: What is the appropriate amount of sludge hauling, chemicals, and purchased power expenses?

Recommendation: The appropriate expense amounts are \$164,848 for sludge hauling, \$231,742 for chemicals, and \$232,003 for purchased power. Accordingly, purchased power expense should be increased by \$13,237.

APPROVED

Issue 21: What is the appropriate amount of materials and supplies expense?

Recommendation: The appropriate amount of materials and supplies expense is \$42,468. Accordingly, materials and supplies expense should be decreased by \$55,070. Further, a corresponding adjustment should be made to increase contractual services – other by \$43,290.

APPROVED

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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Issue 22: What is the appropriate amount of contractual services – engineering expense?

Recommendation: The appropriate amount of contractual services – engineering expense is \$9,395. Accordingly, contractual services – engineering expense should be decreased by \$11,370.

APPROVED

Issue 24: What is the appropriate amount of insurance – worker’s comp expense?

Recommendation: The appropriate amount of insurance – worker’s comp expense is \$32,212. Accordingly, insurance – worker’s comp expense should be decreased by \$3,861.

APPROVED

Issue 25: What is the appropriate amount of bad debt expense?

Recommendation: The appropriate amount of bad debt expense is zero.

APPROVED

Issue 26: What is the appropriate amount to be recovered by the Utility for storm restoration expenses due to Hurricane Irma, and over what period should such expenses be recovered?

Recommendation: Staff recommends a total of \$234,979 for hurricane costs. This expense should be amortized over five years for an annual expense of \$46,996. Based on the Utility’s original MFR filing, the annual amortization of hurricane costs should be decreased by \$7,022.

APPROVED

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Issue 27: What is the appropriate amount of miscellaneous expense?

Recommendation: The appropriate amount of miscellaneous expense is \$198,978. Accordingly, miscellaneous expense should be decreased by \$3,888. Miscellaneous expense should also be decreased for adjustments to pro forma expenses, as reflected in Issues 26 and 28.

APPROVED

Issue 28: What are the appropriate amounts of the Utility's pro forma expenses?

Recommendation: The appropriate amount of pro forma telephone expense is \$7,665. Accordingly, telephone expense should be decreased by \$4,982. The appropriate amount of pro forma insurance – general liability is \$17,633. All other pro forma expenses are discussed in Issues 18, 19, 20, 24, and 26.

APPROVED

Issue 29: What is the appropriate amount of rate case expense, and over what period should such expense be recovered?

Recommendation: The appropriate amount of rate case expense is ~~\$381,012~~ ^{\$436,049}. This expense should be amortized over four years for an annual expense of ~~\$95,253~~. Based on the Utility's original MFR filing, the annual amortization of rate case expense should be increased by ~~\$24,153~~ ^{\$109,012} ~~\$37,912~~.

APPROVED with oral modification

Issue 30: What, if any, further adjustments should be made to the Utility's O&M expense?

Recommendation: Adjustments should be made to advertising expense and contractual services – testing. Advertising expense should be reduced by \$4,775 to \$1,028, and contractual services – testing should be reduced by \$1,504 to \$18,429.

APPROVED

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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Issue 31: What is the appropriate amount of O&M expense? (fall out)

Recommendation: Based upon staff's recommended adjustments in Issues 17 through 30, the appropriate amount of O&M expense is ~~\$2,432,875~~ **\$2,446,634**.

APPROVED *with oral modification*

Issue 32: What is the appropriate amount of depreciation expense?

Recommendation: The appropriate amount of depreciation expense (net of CIAC) should be \$303,134. Accordingly, net depreciation expense should be decreased by \$33,349.

APPROVED

Issue 33: What is the appropriate amount of Taxes Other Than Income?

\$300,470

Recommendation: The appropriate amount of Taxes Other Than Income (TOTI) should be ~~\$299,822~~. Accordingly, TOTI should be increased by ~~\$11,903~~ **\$12,551**.

APPROVED *with oral modification*

Issue 34: What is the appropriate revenue requirement? (fall out)

Recommendation: The appropriate revenue requirement is ~~\$3,502,098~~ **\$3,516,506**.

APPROVED *with oral modification*

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Issue 35: What are the appropriate adjustments, if any, to test year billing determinants for setting final rates and charges?

Recommendation: There should be no adjustments to test year billing determinants for setting final rates and charges.

APPROVED

Issue 36: What are the appropriate rate structure and rates for wastewater service?

Recommendation: The appropriate rate structure and rates for wastewater service are shown on Schedule No. 4 of staff's memorandum dated July 26, 2018. The Utility should file revised tariff sheets and a proposed customer notice to reflect Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED with oral modification. Staff seeks administrative authority to calculate resulting rates after Commission's vote on this item.

Issue 37: What is the appropriate rate for KWRU's reuse service?

Recommendation: The appropriate rate for KWRU's reuse service is \$2.01 per 1,000 gallons. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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Issue 38: What are the appropriate miscellaneous service charges?

Recommendation: Staff recommends the miscellaneous service charges shown in Table 38-1 of staff's memorandum dated July 26, 2018, be approved for KWRU. The approved charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED

Issue 39: What is the appropriate late payment charge?

Recommendation: The appropriate late payment charge for KWRU is \$7.47. The approved charge should be effective 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 should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED

Issue 40: What is the appropriate Lift Station Cleaning charge?

Recommendation: The appropriate lift station cleaning charge for KWRU is \$1,526.82. The approved charge should be effective 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 should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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Issue 41: What are the appropriate initial customer deposits?

Recommendation: The appropriate initial customer deposit should be \$161 for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other meter sizes and customer classes should be two times the average estimated bill. The approved customer deposits should 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 should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

APPROVED

Issue 42: What are the appropriate Allowance for Funds Prudently Invested (AFPI) charges?

Recommendation: The appropriate AFPI charges are shown on Table 42-1 of staff's memorandum dated July 26, 2018. The Utility should file revised tariff sheets and a proposed notice reflecting the approved charges. KWRU should provide notice to property owners who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheet. The Utility should provide proof of noticing within 10 days of rendering its approved notice.

APPROVED

Issue 43: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

Recommendation: KWRU's wastewater rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated July 26, 2018 to remove ~~\$99,741~~ ^{\$114,149} of wastewater rate case expense, grossed-up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.0816, F.S. KWRU should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If KWRU files this reduction in conjunction with a price index and/or pass through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

APPROVED with oral modification

(Continued from previous page)

Issue 44: In determining whether any portion of the interim wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense which was not in effect during the interim period. No refund should be required because the total interim collection period revenue requirement calculated is greater than the total interim revenue requirement granted. As a result, the corporate undertaking amount of \$78,925 should be released.

APPROVED

Issue 45: Should the Utility maintain an asset management and preventive maintenance plan? If so, what action, if any, should be taken?

Recommendation: Staff recommends KWRU provide a proposed asset management and preventative maintenance plan for the Commission's consideration at the time of the Utility's next rate case.

APPROVED

Issue 46: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

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

APPROVED

Vote Sheet
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Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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Issue 47: Should this docket be closed?

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

APPROVED

Brandy Butler

From: Asha Maharaj-Lucas
Sent: Monday, August 06, 2018 10:55 AM
To: Andrew Maurey; Mark Futrell; Mary Anne Helton; CLK - Agenda Staff; Commission Clerk
Cc: Kate Hamrick; Tom Ballinger; Greg Shafer; Judy Harlow; Braulio Baez
Subject: RE: Staff's request for Oral Modification to Item 12 on the 8/7/2018 Agenda - K W Resort Application for increase in wastewater rates

From: Braulio Baez
Sent: Friday, August 03, 2018 5:36 PM
To: Andrew Maurey; Mark Futrell; Mary Anne Helton
Cc: Asha Maharaj-Lucas; Kate Hamrick; Tom Ballinger; Greg Shafer; Judy Harlow
Subject: Re: Staff's request for Oral Modification to Item 12 on the 8/7/2018 Agenda - K W Resort Application for increase in wastewater rates

Approved. Thanks.

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Andrew Maurey <AMaurey@PSC.STATE.FL.US>
Date: 8/3/18 11:43 AM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>, Mark Futrell <MFutrell@PSC.STATE.FL.US>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>
Cc: Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>, Kate Hamrick <KHamrick@psc.state.fl.us>, Tom Ballinger <TBalling@PSC.STATE.FL.US>, Greg Shafer <GShafer@PSC.STATE.FL.US>, Judy Harlow <JHarlow@PSC.STATE.FL.US>
Subject: Staff's request for Oral Modification to Item 12 on the 8/7/2018 Agenda - K W Resort Application for increase in wastewater rates

Staff is requesting approval to make an oral modification to its recommendation filed in Docket No. 20170141-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp. currently scheduled for the August 7, 2018 agenda conference (Item 12).

The first modification relates to correction of a sentence found on page 39 that references the timing and applicability of Florida Statute 367.081(9). This modification has no effect on staff's recommended revenue requirement.

The second modification relates to rate case expense. Subsequent to filing its recommendation on July 26, 2018, staff was apprised that documentation to support rate case accounting costs had been entered into the hearing record. Based on this documentation, staff believes rate case expense should be adjusted to reflect the supported costs. Rate case expense is addressed in Issue 29.

The third modification is a scrivener's error in Issue 33. The conclusion paragraph references a decrease in Taxes Other Than Income, rather than an increase. The recommendation statement and the analysis both appropriately reference the term "increase." This scrivener's error has no effect on the revenue requirement. However, Issue 33 is affected by the change in rate case expense, as that change increases the total revenue requirement, and thus, increases Taxes Other Than Income.

Fall out issues affected by the modification to rate case expense include: Issue 31 (O&M Expense), Issue 33 (Taxes Other), Issue 34 (Revenue Requirement), Issue 36 (Rates), and Issue 43 (Amortization of Rate Case Expense). The modification results in an increase of \$14,408 to staff's originally recommended revenue requirement.

Staff is also requesting administrative authority to recalculate rates following the Commission's vote on this item.

(The oral modification is also attached as a Word file.)

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

Page 35

Issue 9: What is the appropriate working capital allowance to be included in rate base?

Recommendation: The appropriate working capital allowance to be included in rate base is \$1,095,946. Therefore, working capital allowance should be reduced by \$1,123,186. (Sewards)

Page 39 – Modification to Deferred Rate Case Expense Section

Deferred Rate Case Expense

KWRU included a 13-month average balance of \$385,087 in working capital allowance for deferred rate case expense. (EXH 2, P 22) This included an adjustment to reduce deferred rate case expense by \$53,854 to recognize six months of amortization. (EXH 2, P 6) As noted by OPC, Section 367.0816, F.S., was repealed and replaced by Section 367.081(9), F.S., which states "a utility may not earn a return on the unamortized balance of the rate case expense. Any unamortized balance of rate case expense shall be excluded in calculating the utility's rate base" (OPC BR 16) OPC noted the instant docket falls under the new statute; therefore, it claimed all deferred rate case expense should be removed. (OPC BR 16) Staff notes prior to implementation of the new statute, it was Commission practice to include one-half of the approved amount of rate case expense in working capital under the balance sheet method.¹ Staff agrees that one-half of the recommended amount of rate case expense in the instant docket should not be included in working capital pursuant to the updated Statute. However, as the previous Statute was in effect when the Utility filed its petition in the last docket Commission issued an Order in the previous docket a year ago, the amount of \$215,414 should be included in working capital to recognize one-half of previous rate case expense. Therefore, staff recommends that the \$169,673 associated with deferred rate case expense in the current case be removed from working capital allowance.

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Issue 29: What is the appropriate amount of rate case expense, and over what period should such expense be recovered?

Recommendation: The appropriate amount of rate case expense is \$436,049 \$381,012. This expense should be amortized over four years for an annual expense of \$109,012 \$95,253. Based on the Utility’s original MFR filing, the annual amortization of rate case expense should be increased by \$37,912 \$24,153. (Frank)

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Table 29-1

**Table 29-1
KWRU’s Revised Rate Case Expense Request**

Description	Actual Requested	Additional Estimated	Revised Total
Friedman & Friedman, PA	\$17,282	\$26,399	\$43,681
Smith, Hawks, P.L.	153,190	25,963	179,153
Milian, Swain, & Associates	146,300	66,456	212,756
M&R Consultants	3,525	9,900	13,425
Filing Fee	4,500	0	4,500
Customer Notices, Printing, and Shipping	5,000	930	5,930
Total	\$329,797	\$129,648	\$459,445

Source: EXH 2 P 31; EXH 91, BSP 128

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First paragraph.

Milian, Swain, & Associates (MSA)

The Utility provided rate case expense, totaling \$212,756, for accounting services performed by Milian, Swain, & Associates (MSA). The actual fees and costs totaled \$146,300 with an estimated \$66,456 to complete the rate case. (EXH 82, BSP 8). ~~Although staff requested supporting documentation for all rate case expense, KWRU did not provide invoices for accounting services performed during the months of May 2017 and December 2018 through March 2018. This results in \$55,038 of unsupported rate case expense. It is the Utility's burden to prove that its costs are reasonable. As such, staff recommends an adjustment to reduce MSA's actual accounting fees by \$55,038.~~

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Modification to the Conclusion.

CONCLUSION

Based upon the adjustments discussed above, staff recommends that KWRU’s revised rate case expense of \$459,445 be decreased by \$23,395 \$83,613 to reflect staff’s adjustments, for a total of \$436,049 \$381,012. A breakdown of staff’s recommended rate case expense is as follows:

**Table 29-2
Staff Recommended Rate Case Expense**

Description	Utility Revised Act. & Est.	Staff Adjustment	Recom. Total
Legal Fees	\$222,834	(\$8,495)	\$214,338
Accounting Consultant Fees	212,756	0 (55,038)	212,756 (157,719)
Engineering Consultant Fees	13,425	(9,900)	3,525
Filing Fee	4,500	0	4,500
Printing and Shipping	5,930	(5,000)	930
Total	\$459,445	(23,395)(78,433)	\$436,049(381,012)

Source: EXH 91, BSP 128

In its briefs, OPC and the County stated that rate case expense should be amortized over a five-year period. However, staff believes the record does not support using a five-year amortization period. (OPC BR 38; County BR 29) As such, the recommended total rate case expense of ~~\$436,049~~ ~~\$381,012~~ should be amortized over four years, pursuant to Section 367.081(8), F.S. This represents an annual expense of ~~\$109,012~~ ~~\$95,253~~. As stated previously, in its updated filing, the Utility requested \$459,445 for current rate case expense, with an annual amortization amount of \$114,861. (EXH 17, P 8) Based on the Utility's original MFR filing, the annual amortization of rate case expense should be increased by ~~\$37,912~~ ~~\$24,153~~.

FALL OUT ISSUES

Page 100

Issue 31: What is the appropriate amount of O&M expense? (fall out)

Recommendation: Based upon staff's recommended adjustments in Issues 17 through 30, the appropriate amount of O&M expense is ~~\$2,446,634~~ ~~\$2,432,875~~. (Sewards)

Modification to the Analysis.

ANALYSIS

This is fall out issue. Based upon staff's recommended adjustments in Issues 17 through 30, the appropriate amount of O&M expense is ~~\$2,446,634~~ ~~\$2,432,875~~. Schedule No. 3-A reflects staff's recommended O&M expenses. Schedule No. 3-B reflects staff's proposed adjustments to O&M expense.

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Issue 33: What is the appropriate amount of Taxes Other Than Income?

Recommendation: The appropriate amount of Taxes Other Than Income (TOTI) should be ~~\$300,470~~ ~~\$299,822~~. Accordingly, TOTI should be increased by ~~\$12,551~~ ~~\$11,903~~. (D. Andrews)

Modification to the Analysis and Conclusion.

ANALYSIS

This is a fall out issue. Based on staff's adjustments to test year revenues, RAFs should be reduced by \$59,517. To reflect staff's recommended adjustments to pro forma plant, property taxes should be reduced by \$458. To reflect staff's recommended adjustment to pro forma salaries, payroll taxes should be reduced by \$2,488. To reflect staff's recommended Non-used and Useful adjustment, property taxes should be increased by \$22,954. Lastly, to reflect staff's recommended revenue increase, RAFs should be increased by \$52,060 \$51,412. In total, TOTI should be increased by \$12,551 \$11,903 $(-\$59,517 - \$458 - \$2,488 + \$22,954 + \$52,060 \$51,412)$ for an adjusted total of \$300,470 \$299,822.

CONCLUSION

Based on staff's recommended adjustments, TOTI should be ~~increased~~ ~~decreased~~ by \$12,551 \$11,903. The appropriate amount of TOTI is \$300,470 \$299,822.

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Issue 34: What is the appropriate revenue requirement? (fall out)

Recommendation: The appropriate revenue requirement is \$3,516,506 \$3,502,098. (Sewards)

Modification to the Analysis.

ANALYSIS

This is a fall out issue. In its filing, KWRU requested a revenue requirement to generate annual revenue of \$3,682,216, representing a revenue increase of \$1,551,910, or approximately 72.8 percent. Consistent with staff's recommendations regarding rate base, cost of capital, and operating income issues, the appropriate revenue requirement is \$3,516,506 \$3,502,098. Staff's recommended revenue requirement is \$1,156,895 \$1,142,487 greater than recommended test year revenues of \$2,359,611 or an increase of 49.03 48.42 percent. Staff's recommended revenue requirement will allow the Utility the opportunity to recover its expenses and earn a 7.67 percent return on its investment in rate base. Schedule No. 3-A reflects staff's recommended net operating income, and resulting revenue requirement. Staff's proposed adjustments to net operating income are shown on Schedule No. 3-B.

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Issue 36: What are the appropriate rate structure and rates for wastewater service?

Staff seeks administrative authority to calculate the resulting rates after the Commission's vote on this item.

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Issue 43: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

Recommendation: KWRU's wastewater rates should be reduced as shown on Schedule No. 4 to remove ~~\$114,149~~ ~~\$99,741~~ of wastewater rate case expense, grossed-up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.0816, F.S. KWRU should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If KWRU files this reduction in conjunction with a price index and/or pass through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Friedrich, Frank)

Modification to the Analysis and Conclusion.

ANALYSIS

Section 367.081 (8), F.S., requires that rates be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of ~~\$114,149~~ ~~\$99,741~~ 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 RAFs. 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.

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

CONCLUSION

KWRU's wastewater rates should be reduced as shown on Schedule No. 4 to remove ~~\$114,149~~ ~~\$99,741~~ of wastewater rate case expense, grossed-up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.081(8), F.S. KWRU should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If KWRU files this reduction in conjunction with a price index and/or pass through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

KWRU
Statement of Wastewater
Operations
Test Year Ended
06/30/17

Schedule No

Docket No. 2017014

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Reve Requir
1 Operating Revenues:	<u>\$2,130,307</u>	<u>\$1,551,910</u>	<u>\$3,682,217</u>	<u>(\$1,322,606)</u>	<u>\$2,359,611</u>	<u>\$1,156,895</u> <u>\$1,142,487</u> 49.03%48.42%	<u>\$3.5</u> <u>\$3.5</u>
2 Operating Expenses Operation & Maintenance	\$1,720,331	\$812,727	\$2,533,058	<u>(\$86,424)</u> <u>(\$100,183)</u>	<u>\$2,446,634</u> <u>\$2,432,875</u>		<u>\$2.4</u> <u>\$2.4</u>
3 Depreciation	144,159	192,324	336,483	(33,349)	303,134		30
4 Amortization	0	0	0	0	0		
5 Taxes Other Than Income	175,513	112,405	287,918	(39,508)	248,410	<u>52,060</u> <u>\$1,412</u>	<u>30</u> <u>29</u>
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7 Total Operating Expense	<u>2,040,003</u>	<u>1,117,456</u>	<u>3,157,459</u>	<u>(159,281)</u> <u>(173,040)</u>	<u>2,998,178</u> <u>2,984,419</u>	<u>52,060</u> <u>\$1,412</u>	<u>3.0</u> <u>3.0</u>
8 Operating Income	<u>\$90,304</u>	<u>\$434,454</u>	<u>\$524,758</u>	<u>(\$1,163,325)</u> <u>(\$1,149,566)</u>	<u>(\$638,567)</u> <u>(\$624,808)</u>	<u>\$1,104,835</u> <u>\$1,091,075</u>	<u>\$40</u>
9 Rate Base	<u>\$2,229,328</u>		<u>\$7,043,725</u>		<u>\$6,080,883</u>		<u>\$6.0</u>
10 Rate of Return	<u>4.05%</u>		<u>7.45%</u>		<u>-10.50%</u> <u>10.27%</u>		

KWRU
Adjustments to Operating Income
Test Year Ended 06/30/17

Explanation	Wastewater
Operating Revenues	
1 Remove requested final revenue increase	(\$1,349,690)
2 To reflect test year revenues. (Issue 16)	<u>27,084</u>
Total	<u>(\$1,322,606)</u>
Operation and Maintenance Expense	
1 To reflect appropriate salaries & wage expense. (Issue 18)	(\$83,645)
2 To reflect appropriate pensions & benefits expense. (Issue 19)	(3,487)
3 To reflect pro forma purchased power expense. (Issue 20)	13,237
4 To reflect appropriate test year materials & supplies expense. (Issue 21)	(55,070)
5 To reflect appropriate test year cont. services - other expense. (Issue 21)	43,290
6 To reflect appropriate test year cont. services - eng. expense. (Issue 22)	(11,370)
7 To reflect appropriate test year rental of equipment expense. (Issue 23)	(1,258)
8 To reflect pro forma worker's comp expense. (Issue 24)	(3,861)
9 To reflect pro forma amortization of hurricane expenses. (Issue 26)	(7,022)
10 To reflect appropriate test year miscellaneous expense. (Issue 27)	(3,888)
11 To reflect pro forma telephone expense. (Issue 28)	(4,982)
12 To reflect appropriate rate case expense. (Issue 29)	37,912 <u>24,153</u>
13 To reflect appropriate test year Advertising Expense. (Issue 30)	(4,775)
14 To reflect appropriate test year cont. services - testing expense. (Issue 30)	(1,504)
Total	<u>(\$86,424)</u> <u>(\$100,183)</u>
Depreciation Expense - Net	
1 To reflect pro forma depreciation expense. (Issue 32)	(\$8,565)
2 To remove annualization associated with routine plant additions. (Issue 32)	(9,468)
3 To reflect appropriate annualization associated with AWT. (Issue 32)	(47,772)
4 To reflect net non-used and useful adjustment. (Issue 32)	<u>32,457</u>
Total	<u>(\$33,349)</u>
Taxes Other Than Income	
1 To remove RAFs on revenue increase. (Issue 33)	(\$59,517)
2 To remove property tax on non U&U adjustment. (Issue 33)	22,954
3 To reflect pro forma plant. (Issue 33)	(458)
4 To reflect pro forma salaries. (Issue 33)	<u>(2,488)</u>
Total	<u>(\$39,508)</u>

State of Florida



Public Service Commission

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

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

DATE: August 6, 2018

TO: Docket No. 20170141-SU - Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

FROM: Carlotta S. Stauffer, ^{css}Commission Clerk, Office of Commission Clerk

RE: Oral Modification to Item 12 on the 8/7/2018 Agenda (Schedule No. 3-A)

Attached is a replacement for page number 7 of the Oral Modification to Item 12 on the 8/7/2018 Agenda, assigned DN 05091-2018. That filing contained an incomplete version of Schedule No. 3-A.

/css
Attachment

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KWRU
Statement of Wastewater Operations
Test Year Ended 06/30/17

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	\$2,130,307	\$1,551,910	\$3,682,217	(\$1,322,606)	\$2,359,611	\$1,156,895 \$1,142,487 49.03% 48.42%	\$3,516,506 \$3,502,098
Operating Expenses							
2 Operation & Maintenance	\$1,720,331	\$812,727	\$2,533,058	(\$86,424) (\$100,183)	\$2,446,634 \$2,432,875		\$2,446,634 \$2,432,875
3 Depreciation	144,159	192,324	336,483	(33,349)	303,134		303,134
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	175,513	112,405	287,918	(39,508)	248,410	52,060 51,412	300,470 299,822
6 Income Taxes	0	0	0	0	0	0	0
7 Total Operating Expense	2,040,003	1,117,456	3,157,459	(159,281) (173,040)	2,998,178 2,984,419	52,060 51,412	3,050,238 3,035,831
8 Operating Income	\$90,304	\$434,454	\$524,758	(\$1,163,325) (\$1,149,566)	(\$638,567) (\$624,808)	\$1,104,835 \$1,091,075	\$466,267
9 Rate Base	\$2,229,328		\$7,043,725		\$6,080,883		\$6,080,883
10 Rate of Return	4.05%		7.45%		-10.50% -10.27%		7.67%