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Public Service Commission

July 30, 2015

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15 JUL 30 AM 9:47
COMMISSION
CLERK

Martin S. Friedman, Esquire
Friedman & Friedman, P.A.
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746

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

Dear Mr. Friedman:

We have reviewed the minimum filing requirements (MFRs) submitted on July 1, 2015, on behalf of K W Resort Utilities Corp (K W Resort or utility). After reviewing this information, we find the MFRs to be deficient. The specific deficiencies are identified below:

1. Rule 25-30.110(2), F.A.C., requires that the MFRs shall be consistent and reconcilable with the utility's Annual Report. The following account balances for December 2014 listed in the MFRs do not reconcile to the year end balances in the Utility's 2014 Annual Report.
 - a. MFR Schedule E-2, Revenue Schedule at Test Year Rates - Proof of Revenue, pages 1 through 2; column (5) test year revenues do not reconcile to Annual Report Schedule S-9(a)(b), column (e) for accounts 522.1 – Residential Revenues, 522.2 – Commercial Revenues, or account 541.2 – Commercial Reuse Revenues. Please correct MFR Schedule E-2 and any fall out calculations necessary due to this correction.
2. Rule 25-30.436(h), F.A.C., requires that any system that has costs allocated or charged to it from a parent, affiliate or related party, in addition to those costs reported on Schedule B-12 of Commission Form PSC/AFD 19-W for a Class A utility shall file three copies of additional schedules that show the following information:
 1. The total costs being allocated or charged prior to any allocation or charging as well as the name of the entity from which the costs are being allocated or charged and its relationship to the utility.

2. For costs allocated or charged to the utility in excess of one percent of test year revenues:
 - a. A detailed description and itemization; and
 - b. The amount of each itemized cost.
3. The allocation or direct charging method used and the bases for using that method.
4. The workpapers used to develop the allocation method, including but not limited to the numerator and denominator of each allocation factor.
5. The workpapers used to develop, where applicable, the basis for the direct charging method.
6. An organizational chart of the relationship between the utility and its parent and affiliated companies and the relationship of any related parties.
7. A copy of any contracts or agreements between the utility and its parent or affiliated companies for services rendered between or among them.

The utility did not include these additional schedules in the MFRs as filed. Please submit these additional schedules, as applicable.

3. Rule 25-30.436(i), F.A.C., requires that for any land recorded on the utility's books since rate base was last established, the utility shall file copies of the documents that demonstrate that the utility owns the land upon which the utility treatment facilities are located, or that provides for the continued use of the land, such as a 99-year lease. The Commission may consider a written easement or other cost-effective alternative. According to MFR Schedule A-6, the utility's land balance increased by \$6,000 from October to November during the test year. The utility did not file any documents that demonstrate that the utility owns this incremental increase in land or has rights for continued use of this land on which the plant is located. To correct this deficiency, please provide copies of the documents that demonstrate that the utility owns this land upon which the utility treatment facilities are located, or that provides for the continued use of this land, such as a 99-year lease.
4. Rule 25-30.437, F.A.C., requires that each Class A utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 20 (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements." The following MFR schedules, as filed, do not comply with Rule 25-30.437, F.A.C.:
 - a. MFR Schedules A-4, A-8, A-11, A-13, and A-16 Schedules of Water and Wastewater Plant in Service, Accumulated Depreciation, Contributions in Aid of

Construction, Accumulated Amortization of CIAC, and Advances for Construction require that the Commission Ordered balance be reflected on the schedule. Rate base was last established in Order No. PSC-09-0057-PAA-WS, however, the amounts reflected on line 1 in the above-mentioned MFR schedules do not tie to this order.

- b. The instructions for MFR Schedule B-8 (Operation and Maintenance Expense Comparison), require the utility to provide account balances approved by the Commission for its prior test year and to utilize the Consumer Price Index All Urban Consumers (CPI-U) table for all items published by the U.S. Department of Labor. Per these instructions, please make the following adjustments:
 - i. On MFR Schedule B-8, Column (2) does not tie to the amounts approved in Order No. PSC-09-0057 PAA-WS on lines 8, 15, and 23.
 - ii. The ERCs found on MFR Schedule B-8 do not match the Annual Reports for both 2006 and 2014. Please revise the schedule to reflect the correct ERCs for each year.
 - iii. In addition, the utility is required to provide an explanation of all differences in excess of the benchmark factor for customer growth and inflation. When revising MFR Schedule B-8, please provide an explanation for expenses in excess of the revised benchmark factor, specifically line 13.
- c. The instructions for MFR Schedule E-1 require a schedule of present and proposed rates. Column (2) line number 32 lists a bulk rate for Safe Harbor Marina of \$1,665.03, which does not match the utility's currently approved tariff Sheet No. 15.5. Please correct MFR Schedules E-1 and E-2 to reflect approved rates and provide an explanation for the difference.
- d. The instructions for MFR Schedule E-2 require a schedule of revenues at present and proposed rates using the billing analysis. The billing analysis for subheadings "General Service - Base Charge and "General Service - Gallons" does not include calculations for the 3 inch meter size. Please correct MFR Schedule E-2 and any fall out calculations necessary due to this correction, if any.
- e. The instructions for MFR Schedule E-2 require a schedule of revenues at present and proposed rates using the billing analysis. The number of bills and gallons in each billing analysis by meter size in MFR Schedule E-14 must consistently reflect the number of bills and gallons in MFR Schedule E-2 used to produce the test year revenues. Some examples of the errors occurring in MFR Schedules E-2 and E-14 are listed below.
 - i. MFR Schedule E-2 column (2) reflects 1,684 5/8 inch General Service bills, however, the billing analysis in MFR Schedule E-14 for 5/8 inch General Service reflects 1,670 bills.

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- ii. Total gallons on MFR Schedule E-2 for the "General Service – Base Charge" 1 inch meter size does not tie to MFR Schedule E-14 "General Service" – 1 inch."
- iii. The utility did not include a billing analysis for "General Service – 1.5 inch" customers, which are listed in MFR Schedule E-2. Conversely, the utility included a billing analysis for "General Service – 2 inch and 5/8 inch" customers, which are not listed in MFR Schedule E-2.

Please correct MFR Schedules E-2 and E-14 to consistently reflect the correct number of bills by meter size in each schedule, as well as, any fall out calculations necessary due to this correction. Also, please note that a single customer billed for two meters should be shown as separate bills.

5. Rule 25-30.440(2), F.A.C., requires a list of chemicals used for water and wastewater treatment. The list is to show the type, the dollar amount, quantity purchased, unit prices paid, and dosage rate utilized. The information on dosage rates was provided for the proposed pro forma system but not for the test year. Please provide a table showing the type, dollar amount, quantity purchased, unit prices paid, and dosage rates utilized for the test year.
6. Rule 25-30.440(1), F.A.C., requires a detailed map showing the location and size of collection lines, as well as the location and respective classification of the applicant's customers. A map was provided which provides the location of collection lines, but information for the size of those lines and the location and classification of the utility's customers was not provided. Please provide a map or maps showing this information, in electronic format, if possible.

Your petition will not be deemed filed until the deficiencies identified in this letter have been corrected. These corrections should be submitted no later than August 31, 2015.

Sincerely,



Andrew L. Maurey
Director of Accounting & Finance

ALM/am

cc: Division of Accounting & Finance (Fletcher, Norris, Monroe)
Division of Engineering (King, Hill)
Division of Economics (Daniel, Hudson, Ortega)

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Office of General Counsel (Barrera)

Office of Commission Clerk (Docket No. 150071-SU)

Office of Public Counsel (Kelly, Sayler)