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# Public Service Commission

November 24, 2015

Mr. Martin Friedman  
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:

By this letter, the Commission staff requests that K W Resort (K W Resort or utility) provide responses to the following data requests.

1. In its response to staff's first data request, Item 1a, the utility stated that it was in the bid process for its pro forma plant projects and hoped to receive bids in late October 2015. Please provide all bids the utility has received for its pro forma plant projects. Please also include any additional invoices associated with pro forma plant projects that were not previously provided to audit staff.
2. In its response to staff's first data request, Item 2, the utility made a test year adjustment to increase contractual services-accounting expense due to the increase in transactions related to accounts payable, cash disbursements, and customer service. The following items relate to this expense.
  - a. What was the utility's basis for using \$250 a week for 49.5 weeks to calculate the adjustment? Please provide an explanation that includes the hourly rate used in this calculation.
  - b. According to the utility's response to Item 10 of staff's first data request, increases in this expense during the test year were not related to the need for additional accounting services based on the volume of transactions. Was this adjustment made in anticipation of the increase in transactions (i.e. pro forma expense)?
  - c. Please clarify how an increase in customer service relates to the need for additional contractual accounting services, specifically in light of the customer service provided by in-house utility staff.

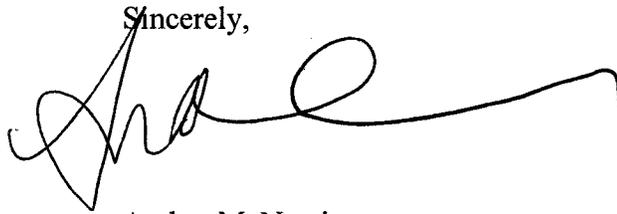
- d. Please provide invoices for 2015 to support the additional accounting services needed by the utility.
3. In response to staff's first data request, Item 5, the utility stated that the documentation of pro forma expense increases associated with the AWT upgrade were provided in response to Audit Request No. 5. The following items relate to these pro forma expenses.
  - a. Please explain the basis of the salaries used to calculate the utility's pro forma increase to salaries and wages expense.
  - b. The ratio of pensions and benefits to salary and wages expense is approximately 16 percent in the test year. Please explain why the pro forma increase to pensions and benefits expense is 27 percent of the pro forma increase to salary and wages expense.
  - c. In the utility's response to Audit Request No. 5, the only explanation provided for the pro forma increases to contractual services-engineering, contractual services-other, and miscellaneous expenses was that the additional expense was due to plant expansion. Please provide a detailed justification for these pro forma expense increases along with work papers to support the how the adjustments were estimated.
  - d. Why is the utility's pro forma adjustment to increase workman's comp insurance expense by \$25,555 for three additional employees, greater than the actual test year expense of \$20,729? Please provide a detailed explanation along with calculations or work papers demonstrating the basis for this adjustment.
4. The utility's response to staff's first data request, Item 6, referenced documentation of legal fees and additional information regarding its on-going litigation with Last Stand provided in its response to Audit Request No. 27. The following items relate to the utility's response.
  - a. Please provide an update of actual and estimated legal fees along with any necessary support documentation. In addition, please provide a detailed explanation and calculations to justify the estimated expense to completion.
  - b. Please provide an updated status regarding the litigation.
5. In response to staff's first data request, Item 12, the utility provided an explanation of the increase in transportation expense for November 2014 and December 2014, but it did not include the requested support documentation for these months. Please provide invoices and work papers supporting the transportation expense for these two months.
6. In its response to staff's first data request, Item 13c, the utility provided the job description and duties for its President, Mr. Christopher Johnson along with his corresponding salary. The following questions relate to his position.

- a. Aside from his role of President at both K W Resort and Keys Environmental, Inc., does Mr. Johnson maintain any additional officer positions, ownership, holdings, etc. in any other companies?
  - b. Please provide a breakdown of Mr. Johnson's time as President of K W Resorts, Keys Environmental Inc., and any other positions from your response above.
  - c. Please provide a breakdown of all additional compensation Mr. Johnson receives as President of Keys Environmental Inc. and any other positions in your response above, along with support documentation (including, but not limited to, W-2s).
  - d. Please distinguish the difference between the responsibilities of Mr. Johnson's position as President and the services provided by Green Fairways.
7. In response to staff's first data request, Item 13e, the utility referenced its response to Audit Request No. 13, Follow Up No. 1 as providing additional detail and justification for the increase in contractual services-management expense. The utility state that Mr. William Smith is not the only Green Fairways employee charged to the utility, and therefore his salary is less than the fee paid monthly by the utility. Please provide a breakdown of the Green Fairways management fee by employee, services provided, time spent on the utility, and compensation.
8. Please provide a breakdown of all additional compensation Mr. Smith receives for services provided to additional companies he maintains ownership, holdings, officer positions, etc., along with support documentation (including, but not limited to, W-2s).
9. Please provide an update of actual and estimated rate case expense along with any necessary supporting documentation (i.e. invoices or receipts). In addition, please provide a detailed explanation and calculations to justify estimated expense to completion.
10. According to the utility's response to Audit Request No. 17, the utility's BB&T Capital Account was created in order to pay for capital projects, instead of having to transfer from the operating account. Once the utility's pro forma plant projects are complete, will this account remain active and require a balance of nearly \$400,000?
11. In response to staff's second deficiency letter, the utility provided additional information regarding its related party transactions with Keys Environmental, Inc. The following items pertain to this related party.
  - a. What percentage of Keys Environmental Inc.'s labor is provided by employees of the utility?
  - b. How much time is spent on subcontracting work by utility employees? Please provide support documentation, including, but not limited to, utility invoices.

Mr. Martin Friedman  
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Please provide responses to the above requests for data no later than December 15, 2015.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amber M. Norris', with a long horizontal flourish extending to the right.

Amber M. Norris  
Public Utilities Supervisor

AMN

cc: Division of Accounting & Finance (Fletcher, Norris)  
Division of Engineering (King, Hill)  
Division of Economics (Daniel, Hudson)  
Office of General Counsel (Barrera)  
Office of Commission Clerk (Docket No. 150071-SU)