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# Public Service Commission

December 28, 2015

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

RECEIVED-FPSC  
2015 DEC 28 AM 11:07  
COMMISSION  
CLERK

**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 Utilities Corp. (K W Resort or utility) provide responses to the following data requests.

1. In response to staff's audit report, the utility disagreed with the removal of several plant additions and maintained that they should have been capitalized. The following items relate to the disagreed upon audit adjustments.
  - a. The invoice dated June 6, 2007 shows a charge for a \$110.50 service call. Please explain the reason for this service call and any maintenance performed, and the impact on the useful life of any plant worked on.
  - b. The invoice dated December 8, 2006 describes a charge of \$811.19 for debris clean-up for construction. Which construction project or projects were associated with the debris?
  - c. The invoice dated March 6, 2008 shows a charge of \$1,326.50 for a pump lift station. Please describe how this relates to preparing the plant for Advanced Wastewater Treatment (AWT) standards.
  - d. Various invoices dated October 17, 2008 through June 5, 2009 show a total of \$27,913.62 spent on Sodium Acetate, Molasses, and Sodium Hydroxide. Please describe the process or processes which used these chemicals. Please also describe the disposition of any remaining chemicals once the testing period ended.
  - e. The invoice dated August 20, 2007 billed Key West Golf Club \$1,008 for repairing a backhoe that was damaged while employees of Keys Environmental, Inc. (KEI) were using it. Please explain why the utility should be responsible for the cost of the repair.

2. Please provide any additional invoices or bids, excluding those provided in staff's second data request, documenting pro forma plant additions not reflected in Audit Finding No. 2.
3. In both the original and revised estimate of the pro forma plant expansion project, the utility included \$156,000 for CEI with the notation "mostly in-house." However, in response to staff's first data request, Item 13g, the utility stated that employees are not involved in the pro forma plant additions. It also described the extent of oversight on capital expenditures provided by Green Fairways and Chris Johnson as part of their normal responsibilities. Please clarify who is providing this service and how the utility estimated this expenditure.
4. In the utility's response to Audit Request No. 7, it provided two contracts from Charley Toppino & Sons, dated February 12, 2015, for concrete slab work in the amount of \$32,250. One was modified to replace the original contract, but both were unsigned. Please provide an executed copy of this contract.
5. In its response to staff's second data request, Item 2a, the utility stated that it calculated the test year increase to contractual services-accounting by estimating one additional hour of work at \$250 for 49.5 weeks due to the increase in transactions. The following items relate to the utility's response.
  - a. Given that the additional transactions fall within the scope of the professional services rendered by Mr. Allen for \$525 month, per his engagement letter, why is it reasonable to apply an additional hourly rate, which is nearly half of his monthly fee?
  - b. Has the utility attempted to get an estimate of an updated monthly fee that would cover the additional volume of transactions? If so, what is the estimate?
6. The following items relate to Attachment 13c, which was provided by the utility in its response to staff's first data request.
  - a. Please provide the hourly rate for all hourly employees in the test year, including those that resigned or were terminated.
  - b. Aside from Pat Coats, were all employees represented in test year salaries and wages expense considered full-time?
  - c. The Schedule of KWRU Operations Group indicates that eight employees worked overtime in the test year. Please provide a breakdown of the overtime for each employee that includes the hours along with the overtime rate.
  - d. The field employee positions indicate that two of the three positions left vacant in the test year (Bellino, Grassi, and Roberts) were filled with replacements in the test year. Has the Operator Trainee position, left vacant by Mr. Eddie Roberts, been filled? If not, when does the utility plan to fill the vacancy?

- e. Please explain why the list of the utility's fleet vehicles includes two trucks assigned to individuals not included as employees in the test year.
7. The utility stated that all pro forma salaries were compared and found to be in the range of salaries for other Florida Keys Utilities. Please provide this analysis along with the sources utilized.
8. In its response to staff's second data request, Item 3a, the utility referenced a pro forma salary increase of four additional employees totaling \$194,000 which is \$38,004 greater than the pro forma increase of \$155,996 on line 32 of MFR Schedule B-3, as well as all documentation previously provided to staff. The following items relate to the utility's response.
  - a. Has the utility's requested pro forma increases to pensions and benefits of \$42,762 and workman's comp insurance of \$25,555 on lines 33 and 42, respectively, of MFR Schedule B-3 also changed? Please provide the basis for both estimated increases that includes the components and sources of the utility's calculation.
  - b. Is the Admin Assistant position proposed in the 2016 pro forma budget a replacement of the Accounting and Administrative Specialist position left vacant in the test year? If not, please explain why this incremental new position is necessary.
9. In the utility's response to staff's second data request, Item 3c, the utility provided basic reasons to support the pro forma increase to contractual services-engineering, contractual services-other, and miscellaneous expenses. However, the utility did not provide work papers to support how the adjustments were estimated. With the exception of the amortized legal fees, please provide a basis for each estimated increase that includes the components and sources of the utility's calculation for each of these three accounts.
10. In its response to staff's second data request, Item 4a, the utility provided a schedule of additional legal fees associated with the Last Stand litigation in the amount of \$6,638. Please provide support documentation (i.e. invoices and description of work performed) for this additional amount. In addition, please provide support documentation for all legal fees associated with the litigation.
11. Did the utility expense any legal fees associated with the Last Stand litigation in 2014? If so, please provide the specific amount expensed along with support documentation.
12. The utility's response to staff's second data request, Item 6b, states that Mr. Johnson is not involved in the daily operations of Keys Environmental, Inc. (KEI). The utility also stated in Item 11a that 100 percent of KEI's labor is provided by the utility. Please explain how KEI processes a request for its services and, in turn, coordinates its need for labor with the utility. Specifically, please explain and demonstrate how Mr. Johnson is not being compensated by the utility for services provided to both the utility and KEI.

13. Since the last rate case and restructuring of utility operations, KEI's rental of the utility's on-site trailer has decreased to \$1,200 annually. Aside from the shared office space, does the utility also share office resources such as a computer, printer/copier, office supplies, a landline phone, etc.? If so, please explain and demonstrate how the utility allocates shared overhead.
14. Does Mr. Johnson maintain a separate cell phone for business related to KEI?
15. Has the utility made regular payments of principal and interest on its loan from its parent company? If so, please document how much has been paid toward this loan over the past three years.
16. In response to staff's first data request, Item 15, the utility provided invoices for accounting services provided by Mr. Jeffrey Allen to be included in rate case expense. The specific hours and fees associated with the current rate case are noted on each invoice. For each of the following months, please explain how the work performed pertains to the current rate case:
  - a. February 2015
  - b. March 2015
  - c. July 2015
17. The following items relate to legal services included in rate case expense.
  - a. Please provide a distinction between the legal services provided by Mr. Friedman and Mr. Smith on this current rate case. Specifically, please justify the need for additional counsel from a different firm and explain how the services are not duplicative.
  - b. Mr. Smith's first invoice, dated January 16, 2015, is comprised of rate case activity in conjunction with other consultants. According to the support documentation of the other consultants, they did not start working on the case until the end of the month. Please explain the work Mr. Smith billed for on that invoice.
18. 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.
19. With respect to O&M expenses associated with AWT, please provide the amount of O&M expenses associated with the existing facilities and the incremental amount of O&M expenses related to the 350k gallon tank expansion and new wells.
20. With respect to total O&M expenses, please provide the amount of O&M expenses associated with the existing facilities and the incremental amount of O&M expenses related to the 350k gallon tank expansion and new wells.

Mr. Martin Friedman

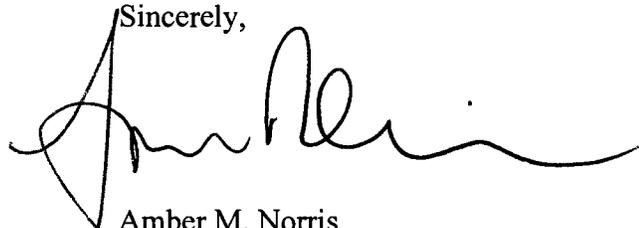
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21. Order No. PSC-09-0057-FOF-SU states that data from Florida Keys Aqueduct Authority will be available on a going forward basis. In this regard, please provide this information for all classes of service for the test year.
22. Please provide a list by meter size of all general service customers and the method in which they are billed.
23. Please explain why there are no gallons associated with the 1.5" general service on page 8 of schedule E-14. In addition, please provide the customer names.
24. Please explain why there are no billable gallons for the 5/8" residential and general service customers on page 2 of schedule E-2.
25. Please advise if the Private Lift Station tariff is still needed. If so, please explain why no revenues were reported in the MFRs.
26. Please advise if the Temporary Service/Dewatering Sludge Loads tariff is still needed. If so, please describe this process. In addition, please explain why no revenues were reported in the MFRs.
27. How does the utility determine the amount of waste treated from customers other than that resulting from metered water such as that from the marinas?
28. Pursuant to Order No. PSC-02-1711-TRF-SU the Key West Golf Club Homeowners Association small pool is based on 1.18 ERCs while the large pool is based on 4.0 ERCs. Has the demand from these two facilities changed since this Order was issued? Please provide supporting documentation.
29. Please provide supporting documentation detailing the demand the South Stock Island marina pool places on the system.
30. Please explain when the utility began billing South Stock Island marina for a small swimming pool? Please reference the tariff used for this charge

Please provide responses to the above requests for data no later than January 13, 2016.

Sincerely,



Amber M. Norris  
Public Utilities Supervisor

AMN

Mr. Martin Friedman

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