

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. 150071-SU
ORDER NO. PSC-16-0123-PAA-SU
ISSUED: March 23, 2016

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman
LISA POLAK EDGAR
ART GRAHAM
RONALD A. BRISÉ
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES
AND
ORDER REQUIRING FOUR-YEAR RATE REDUCTION
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, except with regard to the four-year rate reduction and proof of adjustments of books and records, is preliminary in nature, 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 Corporation (K W Resort or Utility) is a Class A Utility providing wastewater service to approximately 2,061 customers in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority (FKAA). Rates were last established for this Utility in its 2007 rate case.¹ According to the Utility's 2014 Annual Report, the Utility had operating revenues of \$1,479,307 and operating expenses of \$1,199,672.

On July 1, 2015, K W Resort filed its application for the rate increase at issue. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. The test year established for final rates is the 13-month average period ended December 31, 2014.

¹ Order No. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

The Utility's application did not initially meet the minimum filing requirements (MFRs). On July 30, 2015, Commission staff sent K W Resort a letter indicating deficiencies in the filing of its MFRs. The Utility filed a response to staff's first deficiency letter on August 28, 2015. However, the Utility's response did not satisfy all of the deficiencies, and on September 16, 2015, staff sent a second letter indicating the outstanding deficiencies. On September 22, 2015, the Utility filed a response to staff's second deficiency letter correcting its remaining deficiencies, and thus the official filing date was established as September 22, 2015, pursuant to Section 367.083, Florida Statutes (F.S.).

In 2014, the Utility started the planning process of expanding its wastewater treatment plant (WWTP) from 0.499 million gallons per day (MGD) permitted capacity to 0.849 MGD permitted capacity to handle additional flows beyond the maximum capacity of its existing facilities. This pro forma plant project is being considered in the current case, and included the installation of two additional underground shallow injection wells for disposal of treated effluent. On June 23, 2014, the Department of Environmental Protection (DEP) issued a Notice of Intent to issue K W Resort a modified operating permit that would allow it to start its expansion. An environmental group, Last Stand, timely challenged the permit. Last Stand specifically opposed the installation of the shallow injection wells in favor of deep injection wells, a much costlier alternative. The case was referred to Florida's Division of Administrative Hearings (DOAH) on November 19, 2014.² A Recommended Order was issued by the case's Administrative Law Judge on January 15, 2016, in favor of DEP issuing the Utility's permit. DEP issued its Final Order on February 24, 2016, approving the permit. However, the parties have 30 days from the date the Final Order is rendered to appeal to the District Court. The Utility is seeking the recovery of the legal fees associated with the litigation. In addition, the Utility requested pro forma expenses associated with upgrading its operations to meet Advanced Wastewater Treatment (AWT) Standards required by Section 403.087(10), F.S.

The Utility asserts that it is requesting an increase to recover reasonable and prudent costs for providing service and a reasonable rate of return on investment, including pro forma plant improvements. For the reasons stated below, we find a two-phased rate increase is the most appropriate approach to include the Utility's pro forma plant expansion project. K W Resort is requesting final rates designed to generate annual revenues of \$2,931,759. This represents a revenue increase of \$1,438,382 (96.32 percent).

The Office of Public Counsel (OPC) has filed three letters of concerns in the instant docket, on July 9, 2015, September 10, 2015, and February 29, 2016. On February 24, 2016, OPC filed a notice of intervention which was acknowledge by the Commission, in Order No. PSC-16-0114-PCO-SU, issued on March 18, 2016. In addition, Monroe County, one of the Utility's largest customers, has also actively monitored the case as an interested party. To date, we have received six letters from customers regarding this case. At the March 1, 2016 Agenda Conference, two customers participated by telephone.

² DOAH Docket No. 14-5302

This Order addresses K W Resort's requested final rates. The 5-month effective date has been waived by the Utility through March 1, 2016. We have jurisdiction pursuant to Section 367.081, F.S.

Decision

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., in wastewater rate cases, we determine the overall quality of service provided by a utility. This is derived from an evaluation of three separate components of the utility operations. These components are the quality of the utility's product, the operational conditions of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. K W Resort's compliance with the Department of Environmental Protection (DEP) regulations, and customer comments or complaints received by the Commission, were also reviewed.

Quality of Utility's Product and Operating Conditions of the Utility's Plant and Facilities

K W Resort's service area is located in Monroe County. The wastewater treatment plant (WWTP) uses extended aeration to treat wastewater. Effluent is passed through a sand filter and disinfection is provided by chlorine gas. Effluent is disposed of through reuse service or shallow injection wells when reuse demand is not sufficient for reuse.

K W Resort is current in all of its required WWTP compliance inspections. We reviewed the compliance inspection reports dated September 29, 2014 and July 14, 2015. In its September 29, 2014 inspection report, DEP reported a minor out-of-compliance rating for sampling due to a failure to test field chlorine, uncalibrated refrigerator thermometers for chemical sample storage, and insufficient use of the chain of command form. In its July 14, 2015 inspection report, DEP reported an out-of-compliance rating for sampling due to missing details from daily calibration verifications and for chain of command forms not being returned for nutrient samples. DEP reported that adequate responses from the Utility were received for all issues. No subsequent compliance issues were reported by DEP.

A line break was reported to have occurred on December 21, 2015, which spilled 700 gallons of raw wastewater. The line break was due to a cracked PVC pipe at a check valve. K W Resort reported to DEP that the spill was contained, disinfected, and cleaned, and that the line was repaired and that an inspection of PVC pipe on all lift stations would be performed.

We find that K W Resort has been responsive to the DEP's compliance requirements. Based on K W Resort's status with DEP, we find that the quality of K W Resort's product and the operational condition of the WWTP is satisfactory.

The Utility's Attempt to Address Customer Satisfaction

In order to determine the Utility's attempt to address customer satisfaction, we reviewed customer complaints and comments from five sources: our Consumer Activity Tracking System

(CATS), DEP, the complaints the Utility has recorded, the staff-conducted customer meeting, and all correspondence submitted to the Commission Clerk regarding this rate case. A summary of all complaints and comments received is shown in Table 1 below.

Table 1
Number of Complaints by Source

Subject of Complaint	PSC's Records (CATS) (test year and 4 prior years)	Utility's Records (test year and 4 prior years)	DEP (test year and 4 prior years)	Docket Correspondence	Customer Meeting
Billing Related	4	1	0	0	2
Opposing Rate Increase	0	0	0	4	4
AWT	0	0	0	0	2
Wastewater Odor	1	0	0	1	4
Impact Fees	0	0	0	2	5
Other	0	0	0	2	7
Total*	5	1	0	9	24

*A complaint may appear twice in this Table if it meets multiple categories

A customer meeting was held in Key West, Florida, on December 10, 2015. Approximately 40 of the Utility's customers attended the meeting and 15 spoke. In addition, we reviewed complaints for the four years prior to the test year. During the four years prior to the test year we received five complaints, DEP received no complaints, and the Utility recorded one for this time period. Based on the records of the Utility and this Commission, we find that the Utility has responded in a timely manner to each of these complaints.

The subjects of the complaints included (1) billing issues, (2) affordability of the rate increase, (3) the historical application of AWT standards, (4) odor from the wastewater plant, (5) the burden of new construction on existing customers, and other issues. In addition to the individual comments, Mr. Joe O'Connell submitted a petition to the Commission on behalf of Safe Harbor Marina LLC and 55 signatories concerned with the odor and potential hydrogen sulfide emissions from the WWTP. The petition was filed on February 1, 2016, and requests that "the Environmental Health department [investigate the] health hazards and other long term effects caused by the noxious fumes created and emitting from the K W Resort sewer plant." Our staff forwarded Mr. O'Connell's petition to DEP. The DEP wastewater compliance reports from September 29, 2014 and July 14, 2015 show no excessive odor at the time of inspection, which is consistent with our staff's plant inspection on December 10, 2015. We have reviewed the Utility's responses to all Commission and Utility-kept complaints and find the Utility's attempt to address these concerns has been timely and appropriate.

The quality of K W Resort's product and the condition of the wastewater treatment facilities is satisfactory. The Utility has attempted to address customers' concerns. Therefore, we find that the overall quality of service for the K W Resort wastewater system in Monroe County is satisfactory.

Audit Rate Base Adjustments

In its response to the staff audit report of the Utility, K W Resort agreed to the audit adjustments as set forth in Table 2.

Table 2
Description of Audit Adjustments

Audit Finding	Description of Adjustment
Audit Finding No. 1	This finding is due largely to the following: 1) to remove double entries to plant amounts already booked that were approved in the last rate case, 2) to reflect numerous reclassifications from plant to O&M expenses and CIAC, 3) to remove amounts due to lack of support documentation, and 4) to reflect plant retirements.
Audit Finding No. 2	This finding relates to the reclassification of certain plant amounts recorded by the Utility to CWIP in order to create a CWIP account to reflect the cost for the wastewater plant expansion project not in-service yet.
Audit Finding No. 3	This finding relates to the reclassification of survey fees recorded as land to Operations & Maintenance (O&M) expenses in accordance with the NARUC USOA and Rule 25-30.433(8), F.A.C.
Audit Finding No. 4	This finding is due largely to reflect CIAC amounts previously approved in the Utility's last rate case and to correct calculation errors by the Utility.
Audit Finding No. 5	This finding is due largely to reflect the corresponding adjustments to accumulated depreciation as a result of Audit Finding 1, in accordance with Rule 25-30.140, F.A.C.
Audit Finding No. 6	This finding is due largely to the reclassification of accounting and survey fees as an increase to miscellaneous deferred debits and to reduce the miscellaneous deferred debits related to the wastewater permit modification for lack of support documentation.

Source: Staff audit and Utility responses to staff data request

In response to Audit Finding No. 1, the Utility disagreed with the removal of \$160,823 from plant and provided explanations and support for the inclusion of multiple transactions that occurred during 2007, 2008, and 2009. We agree with the Utility's explanations and the appropriate corresponding adjustments to increase plant and accumulated depreciation by \$160,823 and \$45,676 respectively shall be made. The corresponding adjustment to depreciation

expense shall be made in accordance with our decision regarding the audit adjustments to operating expenses below.

Based on the audit adjustments we find a net reduction to rate base of \$249,537 shall be made. The adjustments to rate base are set forth in Table 3.

Table 3
Adjustments to Rate Base

Audit Finding	Plant	Land	Accum. Depr.	CIAC	Accum. Amort. of CIAC	CWIP	Working Capital	Total
1	(\$817,240)	\$0	\$0	\$0	\$0	\$0	\$0	(\$817,240)
2	0	0	0	0	0	303,099	0	303,099
3	0	(923)	0	0	0	0	738	(185)
4	0	0	0	297,120	(81,153)	0	0	215,967
5	0	0	(2,040)	0	0	0	0	(2,040)
6	0	0	0	0	0	0	24,217	24,217
7	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>26,645</u>	<u>26,645</u>
Total	<u>(\$817,240)</u>	<u>(\$923)</u>	<u>(\$2,040)</u>	<u>\$297,120</u>	<u>(\$81,153)</u>	<u>\$303,099</u>	<u>\$51,600</u>	<u>(\$249,537)</u>

Source: Staff audit and Utility responses to staff data request

Pro Forma Plant

In its filing, the Utility included pro forma plant of \$3,574,468 for the expansion of its wastewater treatment plant, which includes the construction of two shallow injection wells. As we discuss below, we approve a two-phased rate increase to address the Utility's pro forma plant request. Pro forma plant that has not been completed has been removed from Phase I. As such, pro forma plant shall be decreased by \$3,574,468 in Phase I. Corresponding adjustments shall be made to decrease accumulated depreciation by \$196,281 and depreciation expense by \$196,281. Additionally, pro forma property taxes shall be decreased by \$35,696.

Used and Useful (U&U)

Based upon Rules 25-30.431, 25-30.432, and 25-30.4325, F.A.C., our U&U evaluation of a wastewater system includes consideration of the formula-based method and all relevant factors such as prior decisions, conservation, and change in customer base. The formula-based method calculates the customer demand as a percentage of capacity. The customer demand is based on the actual demand in the test period and the estimated demand over the 5-year statutory growth period. OPC commented that, if we approved the Utility's requested 100 percent U&U

with an historic test year, the Utility would likely be in an overearnings position, but it did not provide any specific concerns regarding any of the Utility's requested adjustments.

Infiltration and Inflow (I&I)

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, we will consider I&I. Typically, infiltration 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 500 gpd per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. In addition, adjustments to operating expenses such as chemical and electrical costs are considered necessary, if excessive. Schedule F-6 of the MFRs indicated there is no excessive I&I for the test year. We have reviewed the assumptions and calculations and find them reasonable. Therefore, no adjustment shall be made for excessive I&I.

Wastewater Collection System Used & Useful

The wastewater collection system consists of a gravity system as well as a vacuum collection system. The gravity collection system has been operating at capacity for the past five years and there is no apparent potential for additional gravity system connections. Therefore, pursuant to Rule 25-30.4325(4), F.A.C., the gravity collection system shall be considered 100 percent U&U. The vacuum collection system is fully contributed; therefore there is no non-contributed plant to consider for U&U purposes. There will be no change to this consideration for Phase II.

Wastewater Treatment Plant Used and Useful Plant (Phase I)

In K W Resort's last rate case, we deemed the Utility's WWTP to be 100 percent U&U. The Utility has not increased the capacity of its wastewater treatment facilities since its last rate case. Giving consideration to our decision in the Utility's last rate case, the WWTP shall continue to be considered 100 percent U&U. We note that the Utility is planning an expansion of its WWTP. The planned expansion is to be completed by December 2016, and is addressed as part of the Phase II increase for pro forma items.

Wastewater Treatment Plant Used and Useful Plant (Phase II)

In Phase II, the DEP permitted plant capacity will increase to 849,000 gpd, and as a result, we shall calculate an updated WWTP U&U percentage. 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. K W Resort's WWTP is permitted on the basis of Annual Average Daily Flow. Consideration is also given for growth and I&I.

Section 367.081(2)(a)2., F.S., states that we shall consider utility property to be used and useful if such property is needed to serve customers five years after the end of the test year unless the utility presents clear and convincing evidence that a longer period is justified. A linear

regression of the Utility's actual flows for the test year and prior four years results in an average of 7.06 percent annual growth. In its application, the Utility presented evidence that the expansion is needed because future growth will continue at this rate or higher for the next five years. In addition, the Utility stated that its 3-month annualized daily flow had exceeded current capacity in October of the test year, at which point the county would only issue dry permits. This has resulted in a suppression of growth, which would reduce the predicted growth using linear regression. The Utility also stated that building projects with Development Agreements already obtained from Monroe County were used to determine the size of the current plant expansion. Based on this information, the Utility projects that the system will be at full capacity within five years of completing the expansion, which would be seven years after the test year. The Utility therefore requested that growth be considered for seven years after the test year. Section 367.081(2)(a)2.c., F.S., allows such consideration when the Utility presents clear and convincing evidence to justify such consideration. While the Utility provided evidence of known future growth, no significant amount of growth was projected for any period beyond the default 5-year growth period. The Utility also requested that a growth allowance of 102,000 gpd be included in 2016 to account for the suppressed growth and known building projects currently underway or completed and awaiting connection. We believe the Utility has been optimistic that this projected growth will be above and beyond the historic growth; thus, a more conservative projection using only the linear regression is more appropriate.

We find that test year flows appear suppressed and that a growth rate of greater than 5 percent per year is supported. The full 7.06 percent annual growth as calculated shall be allowed. Therefore, pursuant to Rule 25-30.431, F.A.C., a linear regression analysis of the Utility's historical growth patterns results in an addition of 1,310 ERCs for the 5-year statutory growth period. The Utility had an average of 4,039 ERCs for the test year, resulting in 114 gpd/ERC (461,323 gpd / 4,039 ERCs). Thus, a growth allowance of 149,647 gpd is also considered (1,310 ERCs x 114 gpd per ERC). We find that the Utility's requested 102,000 gpd allowance is well supported, but already accounted for in the growth allowance given by the linear regression.

Based on the annual average daily flow during the test year of 461,323 gpd, the current DEP permitted plant capacity of 849,000 gpd, the growth allowance of 149,647 gpd, and the excessive I&I of 0 gpd, we find that the WWTP shall be considered 72 percent U&U $[(461,323 \text{ gpd} - 0 \text{ gpd} + 149,647 \text{ gpd}) / 849,000 \text{ gpd}]$.

Conclusion

Consistent with our decision on adjustments to the pro forma plant and the Phase II increase for pro forma items, for Phase I rates, K W Resort's wastewater treatment plant and collection system shall be considered 100 percent U&U. For Phase II rates, K W Resort's wastewater treatment plant shall be considered 72 percent U&U and the wastewater collection system shall be considered 100 percent U&U. No adjustments shall be made for excessive I&I.

For the foregoing reasons, pro forma plant shall be decreased by \$3,574,468 in Phase I. Corresponding adjustments shall be made to decrease accumulated depreciation by \$196,281 and depreciation expense by \$196,281. Additionally, pro forma property taxes shall be decreased by \$35,696.

Working Capital

Rule 25-30.433(2), F.A.C., requires that Class A utilities use the balance sheet method to calculate the working capital allowance. In its MFRs, K W Resort reflected a working capital allowance of \$1,367,232. We have made several adjustments to working capital, resulting in an increase of \$51,600. We find additional adjustments are necessary for cash and deferred rate case expenses. We note that in its letter dated September 10, 2015, OPC took issue with both the amount of cash and the total amount of working capital included in the Utility's filing.

Cash

In its filing, the Utility's working capital allowance included cash of \$877,289. This amount included \$126,930 associated with an escrow account related to holding escrow monies from capacity fees collected for the vacuum expansion project between Monroe County and K W Resort. In its response to Audit Request No. 17, the Utility clarified that the agreement with Monroe County was to end after 1,500 equivalent residential units had been collected and paid to Monroe County. However, as such, the account was closed on March 15, 2015. Since ratemaking is prospective in nature, we find a normalization adjustment is necessary to remove the cash amounts associated with this closed escrow account. Thus, working capital shall be reduced by \$126,930.

In 2002, Monroe County and the Utility entered into an agreement whereby the County purchased 1,500 equivalent dwelling units (EDUs) from the Utility in exchange for installing collection systems for a cost not to exceed \$4.6 million dollars. In return, the Utility agreed to repay a portion of the funds by collecting capacity reservation fees and remitting the fees to the County. Not all of the 1500 EDUs have been collected and paid to Monroe County. Out of the 1,500 EDUs approximately 840 have been collected and are on the tax rolls. The capacity reservation fees for the remaining EDUs (approximately 660) still need to be collected. The County's intention is to place all of these remaining EDUs on the tax roll in 2016. Not all of the 1,500 EDUs have connected. The Utility will not receive any additional assessments from the remaining EDUs, but will receive revenue from the unconnected customers once connected for monthly service.

The Utility also included another escrow account in cash working capital titled "Customer Escrow Account." Further review of the Utility's general ledger revealed that this account is for customer deposits. Customer deposits are a component of the Utility's capital structure and shall not be included in working capital. The 13-month average of this account was \$141,828. Therefore, working capital shall be reduced by \$141,828 to reflect the removal of customer deposits.

In May 2014 of the test year, the Utility opened another cash account that it considers a capital operating account with a balance of \$375,840. The Utility stated that this account was created in order to pay for capital projects, instead of having to transfer from the operating account. In response to staff's second data request, the Utility stated that it will remain active and require a nearly \$400,000 minimum necessary to ensure a proper capital budget may be

undertaken each year to allow the Utility to operate properly. The Utility also provided a 3-year projection of capital projects. We find a number of concerns with this account in the test year.

The account was never drawn down on in the test year for its stated purpose. Because the balance of this account never changed throughout the test year, we find that to allow a return in working capital for this account would be equivalent to creating temporary cash investment which provides no benefit to the ratepayers. In accordance with our practice, temporary cash investments shall be removed from working capital.³ As such, this account shall not be included for ratemaking purposes. Based on the 13-month average of this account, working capital shall be reduced by \$231,286

Further, the account was funded by a single transfer from the operating account in May 2014. Preceding this transfer, the balance of the operating account increased in January 2015 because of a \$500,000 deposit. Based on the rationale for removing the capital operating account, we find it necessary to remove this amount from the 13-month average balance operating account for the four months this amount remained there. Thus, working capital shall also be decreased by \$115,643 to reflect this removal.

In total, a total decrease of \$615,687 to the Utility's working capital based on its cash component shall be made. This brings the Utility's cash balance to \$261,602. This exceeds the cash balance of \$42,155 approved in its last case. However, we compared the average monthly O&M expense, including pro forma AWT operating expenses, to this balance and find it is an appropriate balance.

Deferred Rate Case Expense

In its MFRs, K W Resort reflected deferred rate case expense of \$62,400 in its working capital. As discussed below on the Phase II increase for pro forma, we set the total rate case expense at \$152,021. As is our practice we include one-half of the approved amount of rate case expense in the instant docket in working capital under the balance sheet method.⁴ Thus, we calculated that the deferred rate case expense to include in working capital to be \$76,011. As such, working capital shall be increased by \$13,611.

Other Deferred Debits

The Utility agreed to a working capital adjustment that reflected the actual, full amount of legal fees associated with Last Stand litigation as a deferred debit in the amount of \$477,436. However, the balance included in working capital shall reflect the total legal fees, verified by audit staff, less one year of amortization. Thus, no further adjustments to the annual amortization

³ Order No. PSC-09-0057-FOF-SU, page 3, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

⁴ Order Nos. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.; PSC-04-0369-AS-EI, issued April 6, 2004, in Docket No. 030438-EI, In re: Petition for rate increase by Florida Public Utilities Company; and PSC-010326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

of the deferred legal fees shall be made. Therefore, working capital shall be decreased by \$95,487 (\$477,436 / 5).

Conclusion

Based on the adjustments above, we find the appropriate working capital allowance for Phase I is \$721,268. As such, the working capital allowance for Phase I shall be decreased by \$645,964.

Test Year Rate Base

In its MFRs, the Utility requested a rate base of \$4,362,997. The adjustments we make herein result in a decrease of \$4,325,287. Thus, we find the appropriate rate base is \$37,710 for Phase I. The schedule for rate base is attached as Schedule No. 1-A, and the adjustments are shown on Schedule No. 1-B.

Return on Equity

The Utility requested an ROE of 11.16 percent. Consistent with our practice, we set the Utility's negative common equity balance to zero.⁵ Based on the leverage formula currently in effect, the appropriate ROE is 11.16 percent.⁶ Thus, an allowed range of plus or minus 100 basis points shall be recognized for ratemaking purposes.

Cost of Capital

In its filing, K W Resort requested an overall cost of capital of 8.01 percent. However, two adjustments to the Utility's capital components shall be included in its capital structure.

In its filing, the Utility included a pro forma adjustment to increase common equity by \$3,500,000 to reflect the equity provided to fund the WWTP expansion. The pro forma plant expansion shall be reflected in Phase II rates. As such, this pro forma adjustment to common equity shall be reflected in the Phase II capital structure. However, removing the Utility's adjustment results in negative common equity for Phase I. Thus, we set the Utility's common equity balance to zero in Phase I.

Additionally, we reconciled rate base to capital structure pro rata over all sources of capital, including customer deposits. Although our practice is generally to only prorate over investor sources of capital, the instant case presented a unique situation due to customer deposits exceeding the rate base for Phase I. As a result, the Utility's long-term debt component was negative in its weighted average cost of capital. As required by Section 367.081(2)(a)1., F.S., we must consider the Utility's cost of providing service, including debt interest. Not prorating over

⁵ Order No. PSC-08-0652-PAA-WS, issued October 6, 2008, in Docket No. 070722-WS, In re: Application for staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.

⁶ Order No. PSC-15-0259-PAA-WS, issued July 2, 2015, in Docket No. 150006-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) (f), Florida Statutes.

all sources of capital results in no consideration of the Utility's interest on debt. As such, all sources of capital for Phase I shall be prorated.

Based upon the proper components, amounts, and cost rates associated with the capital structure, a weighted average cost of capital for the test year ended December 31, 2014, shall be set at 4.98 percent for Phase I. Schedule No. 2 details the overall cost of capital for Phase I.

Test Year Revenues

In its MFRs, K W Resort reported test year revenues for wastewater of \$1,479,307. Based on the staff audit, we increased the Utility's test year revenues by \$75,554 to include (1) \$19,550 of revenues related to cleaning the Monroe County Detention Center (MCDC) lift station; (2) \$19,500 reimbursed to the Utility for testing of reclaimed water; (3) \$22,849 of additional revenues from miscellaneous service charges; and (4) \$13,655 to reflect corrected billing determinants and rates. The resulting test year wastewater revenues of \$1,554,861 include \$1,482,242 of service revenues and \$72,619 of miscellaneous revenues.

Based on the above, we find that the appropriate test year revenues for K W Resort's wastewater system, including miscellaneous revenues, are \$1,554,861. Test year revenues are shown on Schedule No. 3-A.

Audit Operating Expense Adjustments

In its response to the staff audit report and other correspondence, K W Resort agreed to the audit adjustments as set forth in Table 4.

Table 4
Description of Audit Adjustments

Audit Finding	Description of Adjustment
Audit Finding No. 3	This finding relates to the reclassification of survey fees recorded as land to O&M expenses in accordance with the NARUC USOA and Rule 25-30.433(8), F.A.C.
Audit Finding No. 4	This finding is due largely to reflect CIAC amounts previously approved in the Utility's last rate case and to correct calculation errors by the Utility.
Audit Finding No. 5	This finding is due largely to reflect the corresponding adjustments to depreciation expense as a result of Audit Finding No. 1, in accordance with Rule 25-30.140, F.A.C.
Audit Finding No. 6	This finding is due largely to the reclassification of accounting and survey fees as an increase to miscellaneous deferred debits.
Audit Finding No. 10	This finding is due largely to removal of non-utility, duplicative, and out-of-period costs, as well as the reduction of expenses for lack of support documentation.
Audit Finding No. 11	This finding is due largely to the amortization of non-recurring expenses.

Source: Staff audit and Utility responses to staff data requests

Based on the audit adjustments agreed to by the Utility, we find a net decrease to operating expense of \$8,571 appropriate. The adjustments are set forth in Table 5.

Table 5
Adjustments to Operating Expense

Audit Finding	O&M Expense	Depreciation Expense	CIAC Amortization Expense	Total
3	\$1,200	\$0	\$0	\$1,200
4	0	0	14,003	14,003
5	0	(5,489)	0	(5,489)
6	(7,497)	0	0	(7,497)
10	(4,512)	0	0	(4,512)
11	<u>(6,276)</u>	<u>0</u>	<u>0</u>	<u>(6,276)</u>
Total	<u>(\$17,085)</u>	<u>(\$5,489)</u>	<u>\$14,003</u>	<u>(\$8,571)</u>

Source: Staff audit and Utility responses to staff data requests

Pro Forma Expenses

Changes in Operation and Maintenance (O&M) Expenses Due to AWT Upgrade

The Utility requested pro forma expenses associated with upgrading its operations to meet Advanced Wastewater Treatment (AWT) Standards required by Section 403.087(10), F.S., with a deadline of January 1, 2016. Section 367.081, F.S., provides that we approve rates for service which allow a utility to recover the full amount of environmental compliance costs. Recognizing that the requested expenses are needed for compliance with the Utility's DEP Permit, K W Resort shall be permitted recovery of reasonable and prudent expenses associated with the AWT upgrade.

In its filing, the Utility requested a total of \$666,134 of pro forma O&M expense for estimated increases in the following expenses: salaries and wages, employee pension and benefits, general liability insurance, workmen's comp insurance, sludge disposal, purchased power, chemicals, materials and supplies, contractual services-engineer, contractual services-testing, contractual services-other, and miscellaneous. As addressed below, this request was subsequently increased to \$708,511. In addition, the Utility requested a corresponding pro forma increase of \$13,526 to payroll taxes. We find the following adjustments are appropriate.

Salaries and Wages

In its filing, the Utility included a pro forma increase of \$155,996 to salaries and wages expense for three additional field positions—a licensed operator, a system technician/mechanic, and a helper to assist with sludge removal. In response to staff's second data request, the Utility requested the addition of an administrative assistant, bringing the total request to \$194,000. We find that the inclusion of the new field positions are reasonable based on the additional labor requirements necessary to meet AWT standards. The new administrative position is also reasonable given the additional administrative needs that will arise as a direct result of increased operations.

A comparative analysis was performed to examine the reasonableness of the requested salaries for the four positions. We used the American Water Works Association's (AWWA) 2012 Compensation Survey (CS)⁷ to examine the reasonableness of the licensed operator's starting salary of \$62,000. Given the level of knowledge and expertise needed by an operator familiar with the stringent requirements of AWT standards, we compared the operator's requested salary to the maximum range of a Senior/Lead Wastewater Treatment Plant Operator in the AWWA CS and find it is reasonable. The AWWA CS does not have any positions comparable to the three additional positions requested by the Utility, so we performed a comparative analysis using salaries of the Utility's existing staff.

The job duties and responsibilities of the system technician/mechanic matched those of several field technicians already employed with the Utility. The position's starting salary of \$42,000 fell within the range of the Utility's existing field technician salaries. Therefore, we find the salary is reasonable.

We find the job duties and responsibilities of the helper needed for sludge removal fall in the lowest range of required skilled labor, as compared to the Utility's field technicians. As such, we find the Utility's requested salary of \$40,000 excessive. Thus, we shall match the salary of this position to that of the lowest field technician salary. Based on the hourly wages provided by the Utility, this would result in an annual salary of \$35,360 (2,080 hours x \$17). Thus, we find \$4,640 decrease to the Utility's pro forma O&M expense is appropriate.

For the administrative assistant position, we also used the salaries of existing administrative positions for comparative purposes. The Utility described this position as an assistant to the existing administrative staff, which includes an Accounting and Administrative Specialist, Customer Service Manager, and part-time Clerical and Administrative Assistant. However, the requested salary exceeded that of the Customer Service Manager (\$47,990) and Accounting and Administrative Specialist (\$45,845).⁸ The level of job duties and responsibilities fall between that of the part-time Clerical and Administrative Assistant and the Accounting and Administrative Specialist. As such, we find the mid-point of those salaries is more in line with

⁷ We applied an index factor of 1.06 percent, calculated using Commission-approved indices from 2012-2016, to the 2012 AWWA salaries for comparison purposes.

⁸ This reflects an annualized salary due to turnover in the test year.

the salary of an additional Administrative Assistant. This results in a salary of approximately \$40,000, and a decrease of \$10,000 to the Utility's pro forma O&M expense shall be made.

In total, \$179,360 of pro forma salaries and wages expense for three additional field positions and one additional administrative position shall be set. Corresponding pro forma payroll taxes shall be set at \$15,401.

Employee Pension and Benefits

The Utility included a corresponding pro forma increase of \$42,762 to employee pension and benefits for the addition of three new positions in its filing. In response to staff's third data request, it increased the requested pro forma expense to \$47,135 to reflect the additional expense associated with four new positions. The Utility's requested pensions and benefits expense is 24 percent of its requested salaries and wages expense. In comparison, pension and benefits expense was 16 percent of salaries and wages expense in the test year. Commission staff made multiple requests for the Utility's calculation of its estimate, but the additional support was never provided. As such, the additional pension and benefits expense shall be based on the actual percentage of 16 percent. Thus, pro forma employee pension and benefits expense shall be set at \$28,722.

Workmen's Comp Insurance

In its MFRs, the Utility included a pro forma increase of \$25,555 for additional workman's comp insurance expense to cover, originally, three new positions. However, workman's comp insurance expense in the test year was only \$20,729. Commission staff made multiple requests for the basis and calculation of the Utility's estimate. In response to staff's third data request, the Utility stated that it made a calculation in its original estimate and that the correct pro forma increase should have been \$8,627. Although the Utility did not provide documentation supporting the Utility's estimate, we find it is reasonable to expect an increase in workman's comp insurance given the approved new positions. We performed a comparative analysis of the corrected adjustment using the level of employment and workman's comp insurance expense in the test year. We find \$8,627 of pro forma workman's comp insurance expense is reasonable.

Miscellaneous Expense

The Utility also included \$9,638 of pro forma miscellaneous expense associated with the upgrade in operations. In response to staff's third data request, the Utility provided calculations and explanations in support of the additional expense requested. The Utility included \$1,083 in its request based on reimbursed expenses in the test year. This amount shall be removed from the Utility's estimate, as it does not relate to the upgrade in AWT operations. We find one additional adjustment is necessary based on the Utility's estimate of additional payroll administrative costs. The Utility estimated \$2,281 in additional expense by using a ratio of historic payroll to payroll administrative costs. Based on our calculation of this ratio in the test year, along with the decrease in the Utility's requested pro forma salaries, pro forma expense shall also be decreased

by \$1,341. Therefore, we find the sum of \$7,214 of pro forma miscellaneous expense appropriate.

Summary of AWT O&M Expenses

Based on the adjustments above, we find a pro forma increase to O&M expense for upgraded operations associated with meeting AWT standards shall be set at of \$656,106. This results in a decrease of \$10,028 from the \$666,134 requested amount in the MFRs. The Utility's revised pro forma expense request totaled \$708,511. However, our adjustment is based on the request embedded in its original filing. A corresponding adjustment shall be made to increase pro forma payroll taxes by \$1,875. The pro forma expenses are shown in Table 6 below.

Table 6
Pro Forma AWT O&M Expenses

Account No.	Description	Request per MFRs	Revised Request	Approved
701	Salaries & Wages-Employees	\$155,996	\$194,000	\$179,360
704	Employee Pension & Benefits	42,762	47,135	28,722
711	Sludge Disposal	109,334	109,334	109,334
715	Purchased Power	42,900	42,900	42,900
718	Chemicals	224,741	224,741	224,741
720	Materials & Supplies	60	60	60
731	Contractual Services-Engineer	4,730	4,730	4,730
735	Contractual Services-Testing	20,673	20,673	20,673
736	Contractual Services-Other	28,557	28,557	28,557
757	Insurance-General Liability	2,752	2,752	2,752
758	Workmen's Comp Insurance	25,555	25,555	8,627
760	Advertising	(1,564)	(1,564)	(1,564)
775	Miscellaneous Expense	<u>9,638</u>	<u>9,638</u>	<u>7,214</u>
	Total	<u>\$666,134</u>	<u>\$708,511</u>	<u>\$656,106</u>

Source: Utility's MFRs and responses to staff data request

Amortization of Last Stand Legal Fees

The Utility included a pro forma increase to miscellaneous expense of \$103,917 for the amortization of legal fees the Utility incurred to defend an action filed by Last Stand, an environmental group with no affiliation to the Utility's customers. Last Stand's filing opposed the Utility's application for a major modification of its operating permit with the Florida Department of Environmental Protection (DEP). This modification, is needed to expand the current treatment facility in order to meet growing demands and includes the installation of two new shallow injection wells to accommodate the increased effluent volume. Pursuant to Rule 62-4.030, F.A.C., DEP may only issue a permit after it receives reasonable assurance that the

installation will not cause pollution in violation of any of the provisions of Chapter 403, F.S., or the rules promulgated thereunder.

Last Stand contended that no such reasonable assurance was provided and stated that the goal of the litigation is to compel DEP to prevent discharge through shallow injection wells. Last Stand filed its petition with the intent to compel denial of the permit or its reissuance with the requirement that K W Resort install a deep injection well. Based on the Utility's calculations, the cost of the deep well would cost in excess of \$7,000,000, potentially up to \$9,000,000, raising the total cost of the plant expansion to \$11.1 - \$13.1 million. The Utility contends that it has vigorously defended the action to ensure the ratepayers obtain wastewater services at a reasonable rate.

The Utility requested to defer and amortize \$519,585 of legal fees over the 5-year life of the permit and includes the associated amortization of \$103,917 ($\$519,585 / 5$) in miscellaneous expense. At the time of the Utility's initial filing, the Utility was waiting for the DOAH Administrative Law Judge (ALJ) to render a decision regarding the challenge to the Utility's operating permit modification, along with motions for attorney's fees filed by both parties. The ALJ filed her Recommended Order on January 16, 2016, and recommended that the Utility's permit be issued. Although the ALJ denied the Utility's motion for attorney's fees based on the argument that the challenge was brought for an improper purpose, she did award the Utility attorney's fees, in the amount of \$900, associated with the Last Stand's motion to compel. On February 24, 2016, DEP issued a Final Order adopting the ALJ's recommendation to issue the permit.

Last Stand has 30 days to appeal from the date the Final Order is rendered. There is no automatic stay of the Final Order unless a party requests it and the agency or the court grants the stay. The request for a stay does not toll the time for appeal. There is no provision for reconsideration of the Final Order. The appeal can take several months, and the parties may request or waive oral argument. In addition, there is no time limit for the District Court to issue an opinion. It may reverse the Final Order, affirm the Final Order, or remand the case back to the agency for further proceedings.

Accounting Standards Codification (ASC) No. 980-340-35-1 states that the rate actions of a regulator can provide reasonable assurance of the existence of an asset if it is probable that future revenue will result from inclusion of that cost in allowable costs for ratemaking purposes and, based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected level of similar future costs. We find that the legal fees incurred by the Utility were justified given the potential rate impact of being forced to drill a deep injection well. Based on the Final Order adopting the ALJ's Recommended Order and stated motive of Last Stand, we find there was no negligence on behalf of the Utility that precipitated the ensuing administrative hearing.

The Utility has agreed to a reduction of \$8,430 to the amortized expense based on staff's audited amount of actual legal fees. In response to staff's data requests, the Utility has updated the amount of legal/engineering fees for the permitting defense and provided an estimate to completion. The additional fees result in an increase of \$7,605 and the estimate to completion is

\$31,228. The Utility originally provided audit staff with invoices to support the actual legal fees, as of the audit, under confidentiality. However, despite subsequent requests, the Utility has refused to provide any invoices to support the additional legal fees, citing attorney-client privilege. As such, we do not include, at this time, any additional legal fees that were not audited and, thus, no change to the annual amortization of legal fees in the amount of \$95,487 (\$103,917 - \$8,430) shall be made.

The Utility shall submit actual construction costs for the pro forma plant items within 60 days of the in-service date. At such time, the Utility may also submit additional invoices to support any additional legal fees that it would like recognized as a deferred asset. This opportunity also allows us to include an adjustment for the final judgment regarding the awarding of attorney's fees. Regardless of whether or not the litigation is complete, it will be the Utility's burden to support its expense with actual documentation.

Conclusion

Based on the adjustments above, pro forma O&M expense shall be decreased by \$10,028. A corresponding adjustment shall be made to increase pro forma payroll taxes by \$1,875.

Management Fees

In its MFRs, the Utility recorded contractual services-management expense of \$60,000 in the test year for management services provided by Green Fairways, Inc. Green Fairways is owned and operated by the Utility's majority shareholder, Mr. William Smith. In its last case, the Green Fairways management fees were reduced from \$60,000 to \$30,000 based on the Utility's inability to provide specific support documentation relating to the actual amount of time Mr. Smith spent managing K W Resort.

Since the last case, the Utility has replaced contractual services with full-time employees including a President and Managers that supervise plant operations and maintenance. In the instant case, the Utility did not document the actual amount of time Green Fairways spent managing the Utility. Mr. Smith estimated that he spends approximately 25 percent of his time on Utility matters, a reduction from the 30 percent he estimated in the last rate case. Although his estimated management contribution has decreased, the Utility sought to justify the additional \$30,000 by explaining that it was below the benchmark when compared to the increase in number of customers and inflation.

We find that the majority of the management duties provided by Green Fairways are duplicative of the in-house officers and management the Utility has hired since its last rate case. These duties include: financial planning, and reviewing the treatment of customers, employees, and vendors. These employees also review the overall wastewater operations, plan for plant expansion, and deal with Commission rate and complaint matters. In its response to staff's second data request, the Utility provided the following description of the management services provided by Green Fairways: "Green Fairways supervises Mr. Johnson (the President) and is responsible for financing all debt obligations insuring the shareholder investment is secure and ensuring that any guarantees are paid in full by the Utility."

The Utility further explained that Mr. Smith has personally guaranteed loans to K W Resort due to the Utility not having income or credit sufficient to obtain such loans. The Utility contends that its ability to properly operate is dependent on a third party guarantee, such as Mr. Smith, and that his management fees are reasonable compared to those charged by most lenders. K W Resort also explained that WS Utilities, as the sole shareholder and largest creditor, requires outside management to review K W Resort's operations and to ensure that all debts are properly paid and that no security is jeopardized or personal guaranty put at risk. Based on the information provided, we find that Green Fairways provides services that primarily benefit Mr. Smith as a shareholder. Additionally, it does not provide true, independent third party oversight when the services are being provided by two related party individuals, Mr. Smith and his daughter, Leslie Johnson, who is also the wife of the Utility's President (Mr. Johnson). As such, we find this expense is not necessary for the provision of regulated utility service. Thus, contractual services-management expense shall be decreased by \$60,000.

Test Year Expense

Based on our review of test year O&M expense, several adjustments to the Utility's O&M expense shall be made as summarized below.

Salaries & Wages

K W Resorts recorded total test year salaries and wages of \$590,900 for employees and officers. Since its last case, the Utility has replaced contractual services with full-time employees. In an effort to examine the reasonableness of the Utility's salary levels, we used multiple resources to examine the reasonableness of individual positions, including the American Water Works Association's (AWWA) 2012 Compensation Survey.⁹ Only two positions fell above the maximum range in our comparison. However, due to turnover in multiple positions and an additional position added in the test year, an annualization adjustment for multiple positions would have offset any adjustment we would have made to reduce the salaries of the two positions that exceeded the maximum range. As such, no further adjustments to salaries and wages expense shall be made.

Contractual Services-Engineering

In its MFRs, K W Resort reflected an expense of \$9,132 for contractual services-engineering expense in the test year. This amount included a test year adjustment to increase the expense by \$2,805 to reclassify erroneously coded expenses. The Utility has agreed to the removal and reclassification of the \$2,805 adjustment to a deferred asset account. During our analysis of the Utility's pro forma plant project, we noticed a 2014 Weiler Engineering invoice with a written correction to the breakdown of expenses between the pro forma expansion and regular engineering services provided to the Utility. The Utility failed to reflect this adjustment to contractual services-engineering expense in the test year. Therefore, contractual services-engineering expense shall be decreased by \$653.

⁹ We applied an index factor of 1.06 percent, calculated using our approved indices from 2012-2016, to the 2012 AWWA salaries for comparison purposes.

Contractual Services-Accounting

In its MFRs, K W Resort reflected an expense of \$25,762 for contractual services-accounting in the test year. This amount included two test year adjustments to increase the expense by \$12,350 for additional accounting services and \$1,862 to reclassify erroneously coded expenses. The Utility agreed to the removal and reclassification of the \$1,862 adjustment to a deferred asset account.

In its response to staff's first data request, the Utility stated that the \$12,350 adjustment was based on an additional hour of bookkeeping for 49.5 weeks at an hourly rate of \$250 an hour due to the increase in transactions related to accounts payable, cash disbursements, and customer service. The \$250 is based on the hourly rate charged by the Utility's accountant, Mr. Jeffrey Allen CPA, for additional work not included in his monthly service fee. For a fixed rate of \$525 a month, Mr. Allen provides the following services: reviews the general ledger, reconciles bank statements and accounts receivables, reclassifies cash receipts, and prepares semi-annual regulatory assessment fee (RAF) reports. The Utility did not specify its basis for using 49.5 weeks.

Since it was classified as a test year adjustment, we initially examined the accounting expense during the test year to verify that the adjustment was annualizing changes which occurred during the test year. Only one invoice in the test year, dated December 31, 2014, reflected additional accounting work associated with the Utility's monthly operations. An additional 3.5 hours were billed in December 2014 for entering accounting data in September through November of 2014. Additionally, the Utility's response to staff's first data request indicated that the increase in the expense for December 2014 was due to Mr. Allen performing fourth quarter accounting work in place of the Utility's in-house accountant who resigned with no immediate replacement. However, this position was filled in 2015. Thus, the additional work performed in the test year does not warrant an adjustment to increase this expense on a going forward basis.

Although the increase did not merit a test year adjustment, we additionally considered the adjustment as a pro forma expense given the Utility's justification of growth associated with its expansion. However, in response to staff's second data request the Utility stated that the increase in flows is not going to increase the prospective amount of transactions relative to the amount of flows received. Instead it cited justification of additional accounting services related to non-recurring situations such as post-rate case adjustments, special projects, and restatements made prior to this rate case. Therefore, contractual services-accounting expense shall be decreased by \$12,350.

Conclusion

Based on the above, O&M expense shall be decreased by \$13,003 (\$653 + \$12,350).

Rate Case Expense

Based on our analysis below, we find that the appropriate amount of rate case expense is \$152,021. This expense shall be recovered over four years for an annual expense of \$38,005. Therefore, annual rate case expense shall be increased by \$6,805 from the respective levels of expense included in the MFRs.

In its MFRs, K W Resort requested \$124,800 for current rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On January 19, 2016, the Utility submitted its last revised estimate of rate case expense, through completion of the PAA process, which totaled \$199,557. A breakdown of the Utility's requested rate case expense is as shown follows:

Table 7
K W Resort's Initial and Revised Rate Case Expense Request

	MFR B-10 Estimated	Actual	Additional Estimated	Revised Total
Legal Fees				
Friedman & Friedman, PA	\$59,300	\$31,673	\$9,930	\$41,603
Smith, Oropeza, & Hawks, PL	0	22,134	2,118	24,252
Accounting Fees				
Milian, Swain, & Associates	48,000	99,808	4,550	104,358
Jeffery Allen,	0	4,375	3,000	7,375
Engineering Fees				
M&R Consultants	8,000	7,533	1,500	9,033
Weiler Engineering Corp.	0	1,486	950	2,436
Filing Fee	4,500	4,500	0	4,500
Customer Notices, Printing, and Shipping	5,000	1,992	3,008	5,000
Travel	<u>0</u>	<u>480</u>	<u>520</u>	<u>1,000</u>
Total	<u>\$124,800</u>	<u>\$173,981</u>	<u>\$25,576</u>	<u>\$199,557</u>

Source: MFR Schedule B-10 and Utility responses to staff data requests

Pursuant to Section 367.081(7), F.S., we determine the reasonableness of rate case expense and disallow all rate case expense determined to be unreasonable. We examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, the following adjustments to K W Resort's requested rate case expense are appropriate.

Friedman & Friedman, P.A. (F&F)

The first adjustment to rate case expense relates to K W Resort's legal fees. In its MFRs, the Utility included \$59,300 in legal fees to complete the rate case. The Utility provided documentation detailing this expense through January 10, 2016. The actual fees and costs totaled \$31,673 with an estimated \$9,930 to complete the rate case, totaling \$41,603.

F&F's actual expenses included the \$4,500 filing fee. However, the Utility also included \$4,500 in its MFR Schedule B-10, under "Public Service Commission – Filing Fee." We have classified the filing fee under the filing fee line item and removed the entry from legal fees to avoid double recovery of this fee.

According to invoices, the law firm of F&F identified and billed the Utility \$1,188 related to the correction of MFR deficiencies. We have previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.¹⁰ Consequently, F&F's actual legal fees shall be adjusted to reduce them by \$1,188.

F&F's estimate to complete the rate case includes fees for 24.5 hours at \$360/hr. and additional costs for photocopies and attending the Agenda Conference, totaling \$555. We find the full amount of the estimate to complete, \$9,375, reasonable. Accordingly, legal fees from F&F shall be reduced by \$5,688 (\$4,500 + \$1,188).

Smith, Oropeza, Hawks PL (SOH)

The second adjustment to rate case expense also relates to K W Resort's legal fees. In its MFRs, the Utility did not include any estimated rate case expense associated with SOH. However, the Utility subsequently provided documentation detailing expenses for two of SOH's attorneys, Bart Smith and Chris Oropeza, through December 16, 2015. The actual fees and costs totaled \$22,134 with an estimated \$2,118 to complete the rate case, totaling \$24,252.

According to the Utility's response to the third data request, Mr. Smith's firm has represented the Utility for over five years and has in-depth familiarity with the on-going operations and legal issues of the Utility. Mr. Smith has provided his legal assistance to K W Resort in regards to inquires into the Last Stand litigation. Also, Mr. Smith assisted K W Resort in meeting with Monroe County staff to address concerns and present information as to the purpose of the rate case. In order to ensure the lowest cost for legal representation, K W Resort has utilized local counsel for these matters. We find Mr. Smith's hours associated with assisting in responding to data requests involving the Last Stand Litigation and coordinating with Monroe County to address any concerns pertaining to the current rate case are reasonable. However, any additional hours associated with processing this case are duplicative of Mr. Friedman's contribution to the rate case. Customers shall not pay double the rate case expense for actions such as having two attorneys review a data request or attend a conference call with staff.

¹⁰ Order Nos. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

Additionally, Mr. Smith included hours associated with “researching” different Commission functions such as the PAA process. The Utility has retained counsel, Mr. Friedman, with many years of experience with the Commission and customers shall not pay additional rate case expense, at a higher hourly rate, for another attorney to learn Commission processes.

Adjustments to actual rate case expense shall be made for time associated with work duplicative of Mr. Friedman’s and related costs. As such, \$12,474 (32.4 hrs. x \$385) shall be removed for Mr. Smith and \$3,325 (13.3 hrs. x \$250/hr.) shall be removed for Mr. Oropeza. An additional \$570 of cost related to the duplicative work shall also be removed.

Additionally, we find that an adjustment to the estimated cost to complete this case is appropriate. SOH’s estimate to completion included fees of 5.5 hours at \$385/hr. totaling \$2,118. The reported 2.5 hours is appropriate for assisting with responses to the third data request as it relates to the Last Stand litigation. However, estimated cost for review of staff recommendation and PAA Order is duplicative of the work of F&F. Accordingly, three hours, or \$1,115 (\$385/hr. x 3hrs.), shall be removed from estimated rate case expense. In total, legal fees and costs for SOH shall be reduced by \$16,907 to reflect these adjustments.

Milian, Swain & Associates (MS&A)

The third adjustment relates to MS&A’s actual and estimated accounting fees of \$104,358, which was comprised of \$99,808 in actual costs and \$4,550 in estimated fees to complete the rate case as of January 4, 2016.

In regard to MS&A’s actual expenses, we reviewed the supporting documentation and identified 49.25 hours related to correcting deficiencies. As stated previously, we have previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs. As such, \$3,113 (20.75 hrs. x \$150/hr.) shall be removed for C. Yapp and \$5,700 (28.5 hr. x \$200/hr.) shall be removed for D. Swain. Accordingly, MS&A’s actual accounting consultant fees shall be reduced by \$8,813 (\$3,113 + \$5,700).

MS&A estimates that a total of 26 hours are needed to complete the case. According to MS&A’s summary, the consultant estimated the following:

Table 8
MS&A's Estimated Hours to Complete Case

Est. Hours	Activity
10	Provide support to client – Responses to staff's data requests, including updates to rate case expense.
8	Review staff recommendations, testing recommended revenue requirements and resulting rates, including suppression calculations, and discuss with client.
8	Review PAA Order, testing final approved revenue requirements and resulting final rates, including suppression calculations, and discuss with client.
26	Total

Source: Utility's response to staff's third data request

MS&A included an additional 26 hours to complete the case from the filing of staff's recommendation to the completion of the PAA process. We find the request for eight hours to review staff's recommendation and eight hours to review our PAA order is excessive and unreasonable. Absent additional support, we find that a total of 9.5 hours is an ample amount of time to review staff's recommendation and the Commission's PAA Order. Accordingly, 6.5 hours (3.25 hours for C. Yapp and 3.25 hours for D. Swain) shall be removed from estimated rate case expense.

In summary, we find that reducing estimated hours to complete from 26 to 19.5 is appropriate. As such, \$488 (3.25 hrs. x \$150/hr.) shall be removed for C. Yapp and \$650 (3.25 hrs. x \$200/hr.) shall be removed for D. Swain. The accounting consultant fees shall be reduced by \$1,138 (\$488 + \$650).

Jeffery Allen, PA

In its MFRs, the Utility did not include any estimated rate case expense associated with accounting services provided by Jeffery Allen, PA. However, the Utility subsequently provided documentation detailing the accounting services he provided, such as assisting with MFR preparation. The actual fees and costs for Mr. Allen's services totaled \$4,375 with an additional \$3,000 estimated to complete the rate case. The Utility provided invoices through July 31, 2015 to support the expense.

However, the descriptions of work performed on his invoices were vague in relation to the rate case, and further clarification was requested. According to the Utility's response to staff's third data request, Mr. Allen's work performed in the months of February, March, and July was associated with the restatement of prior year's annual reports. As such, 16.5 hours at \$250 an hour, for a total of \$4,125 shall be removed as expense unrelated to the rate case.

Additionally, an adjustment to the estimated cost to complete this case is necessary. Mr. Allen's estimate to complete the case included fees for 12 hours at \$250/hr. We did not receive any additional invoices from Mr. Allen detailing any work performed on data requests or any

rate case matter since assisting in MFR preparation. As such, 12 hours estimated for data request responses is unsupported. Furthermore, the work performed when responding to data requests is duplicative of MS&A. Accordingly, 12 hours, or \$3,000 (\$250 x 12 hrs.), shall be removed from estimated rate case expense. In total, Mr. Allen's fees shall be reduced by \$7,125 (\$4,125 + \$3,000) to reflect these adjustments.

Engineering Consultant Fees – M&R Consultants

The Utility included \$8,000 in its MFRs for M&R Consultants to provide consulting services for engineering-related schedules and responses to staff's data requests. The Utility provided support documentation detailing the actual expense through November 30, 2015. The actual fees and costs totaled \$7,533 with an additional \$1,500 estimated to complete the rate case. We find the full amount of the estimate to complete, \$1,500, for assisting with data requests and preparation for the Agenda Conference reasonable. Therefore, there shall be no adjustment.

Weiler Engineering Corp.

In its MFRs, the Utility did not include any estimated rate case expense associated with Weiler Engineering Corp. However, the Utility subsequently provided documentation detailing this expense through August 31, 2015. The actual fees and costs totaled \$1,486, for work associated with MFRs and the first data request, with an estimated \$950 to complete the rate case, totaling \$2,436. There were no invoices provided subsequent to the first data request, thus we find the Utility's estimate of \$950 to complete the rate case is excessive and unreasonable. Accordingly, five hours or a total of \$950 (\$190 x 5 hrs.) shall be removed for estimated rate case expense.

Filing Fee

The Utility included \$4,500 in its MFR Schedule B-10 for the filing fee. According to documentation provided by F&F, the filing fee of \$4,500 was paid as part of the legal fees. Since the amount is already included in the line item for filing fee, \$4,500 from F&F's legal shall be removed to avoid double recovery of this fee.

Customer Notices, Printing, and Shipping

In its MFRs, K W Resort included estimated costs of \$5,000 for printing and shipping. The Utility is responsible for sending out three notices: the initial notice, customer meeting notice, and notice of the final rate increase. We have historically approved recovery of noticing and postage, despite the lack of support documentation, based on a standard methodology to estimate the total expense using the number of customers and the estimated per unit cost of envelopes, copies, and postage.¹¹ However, the Utility provided the support documentation needed to verify the actual costs associated with two notices. According to the invoices, costs for the initial notice and customer meeting notice totaled \$1,476. The Utility did not provide an

¹¹ Order No. PSC-14-0025-PAA-WS issued January 10, 2014, in Docket No. 120209-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

update for estimate to completion. Based on the total cost for the first two notices, we find a reasonable estimate for the final notice is \$738 (\$1,476 / 2).

K W Resort also provided two Fed Ex invoices totaling \$194, and an Office Max receipt totaling \$322. We reviewed the invoices and find these costs are reasonable. As such, actual and estimated rate case expense related to customer notices, printing, and shipping shall be \$2,730 (\$1,476 + \$738 + \$194 + \$322). Accordingly, a total of \$2,270 (\$5,000 - \$2,730) shall be removed for estimated rate case expense.

Travel

In its MFRs, the Utility did not include any estimated rate case expense associated with travel. However, the Utility subsequently provided documentation detailing this expense through December 11, 2015. The actual fees and costs totaled \$480 with an additional \$520 estimated to complete the rate case. According to an invoice provided, Mr. Johnson booked air travel from Key West to Tallahassee in the amount of \$480 in order to attend the Agenda Conference. The Utility estimates an additional \$520 in travel which includes costs for a hotel reservation, transportation to and from the airport, and meals. We find the actual and estimated cost for travel reasonable and therefore no adjustment shall be made.

Conclusion

Based upon the adjustments discussed above, K W Resort's revised rate case expense of \$199,557 shall be decreased by \$47,536, for an increase of \$27,221 based on K W Resort's original request, to reflect our adjustments, for a total of \$152,021. A breakdown of the rate case expense is as follows:

Table 9
Rate Case Expense

Description	MFR Estimated	Utility Revised Act. & Est.	Commission Adjustment	Total
Legal Fees	\$59,300	\$65,855	(\$21,824)	\$37,476
Accounting Consultant Fees	48,000	111,733	47,796	95,796
Engineering Consultant Fees	8,000	11,469	2,519	10,519
Filing Fee	4,500	4,500	0	4,500
Customer Notices, Printing, and Shipping	5,000	5,000	(2,270)	2,730
Travel	<u>0</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total	<u>\$124,800</u>	<u>\$199,557</u>	<u>\$27,221</u>	<u>\$152,021</u>

Source: MFR Schedule B-10 and responses to staff data requests

In its MFRs, the Utility requested total rate case expense of \$124,800. When amortized over four years, this represents an annual expense of \$31,200. The total rate case expense of

\$152,021 shall be amortized over four years, pursuant to Section 367.081(6), F.S. This represents an annual expense of \$38,005. Based on the above, the annual rate case expense shall be increased by \$6,805 (\$38,005 - \$31,200).

Revenue Requirement

In its filing, K W Resort requested a revenue requirement to generate annual revenue of \$2,931,759. This requested revenue requirement represents a revenue increase of \$1,438,382, or approximately 96.32 percent.

Consistent with our findings concerning rate base, cost of capital, and operating income issues, rates designed to generate a revenue requirement of \$2,238,046 shall be approved. The revenue requirement of \$2,238,046 is \$683,185 greater than our adjusted test year revenue of \$1,554,861 or an increase of 43.94 percent. We find the pre-repression revenue requirement will allow the Utility the opportunity to recover its expenses and earn a 4.98 percent return on its investment in rate base.

Phase II Increase for Pro Forma

K W Resort included \$3,574,468 for wastewater pro forma plant additions in its original filing. K W Resort has provided reasonable documentation and justification for these projects. However, the following adjustments shall be made to reflect the differences between what was provided in the MFRs, the estimated bids for the pro forma projects, and actual invoices received.

Phase II Rate Base

Pro Forma Plant-WWTP Capacity Expansion

In 2013, the Utility's maximum 3-month average daily flow was at 91 percent of the 0.499 million gallons per day (MGD) permitted capacity. When 3-month average daily flow will equal or exceed permitted capacity within the next six months, the Utility is required to submit an application to DEP for a construction operating permit to expand. In April 2014, K W Resort submitted an application to DEP to increase the processing capacity of the WWTP by .350 MGD based on known flows through 2013. In June 2014, the DEP issued an "Intent to Issue" a construction permit. By October 2014, the actual 3-month average daily flow had reached 102 percent of the permitted capacity. We reviewed the three bids the Utility submitted for this project and find that the estimated project cost is \$3,489,234 for the treatment plant and \$85,234 for the collection system. Table 10 below illustrates these estimates.

Table 10
Pro Forma Wastewater Plant Adjustments

Project	MFR Amount	Revised Amount
Expansion WWTP	\$3,489,234	\$3,396,479
Expansion Collection System	\$85,234	\$85,494
Total	\$3,574,468	\$3,481,973

Source: Utility MFRs and Utility responses to staff data requests

We find a two-phased rate increase is the most appropriate approach to include the Utility's pro forma plant expansion project for a number of reasons. The majority of the project has not been completed and will not be completed for nearly a year. Given the financial magnitude of the pro forma plant project and its impact on rates, it is unreasonable to include the project until it is placed in-service. However, we recognize the Utility's expenditures on the plant expansion through 2015 in Construction Work in Progress (CWIP).

Additionally, although the Utility's latest timeline estimates that the project will be completed by December 2016, this timeline does not take into account the possibility of an extended challenge to its operating permit that could potentially delay the construction of the two shallow injection wells. There is no automatic stay of the Final Order unless a party requests it and the agency or the court grants the stay. Thus, the Utility could conceivably proceed with the installation of the two shallow injection wells even in the event of an appeal. However, the possibility remains that DEP's Final Order could be reversed or the case remanded back to DEP for additional proceedings that could compel the Utility to pursue a modified plan. If that event were to occur after or during the installation of the shallow injection wells, the Utility could potentially face a situation in which it has to make additional plant expenditures that are duplicative of those requested in the instant docket. Although the Utility believes that the probability of a successful appeal from Last Stand is low, we rely on the finality of the proceedings and not on probability. As such, the two-phased increase also takes into consideration the anticipated conclusion of the proceedings.

We have traditionally applied two-phased rate increases for water and wastewater utilities in staff-assisted rate cases. However, given the unique circumstances of the instant case, a two-phased rate increase is appropriate in this instance to balance the interests of both the Utility and its customers. As such, pro forma plant shall be increased by \$3,489,234 and CWIP shall be decreased by \$303,999 in Phase II. Corresponding adjustments shall be made to increase accumulated depreciation by \$191,289. Depreciation expense shall also be increased by \$191,289. Additionally, pro forma property taxes shall be increased by \$31,875.

Monroe County, one of the Utility's largest customers, has actively monitored the case as an interested party. We reviewed two letters from K W Resort to two existing customers regarding the reassessment and attempted collection of capacity fees after the test year submitted by a representative of Monroe County. Based on our concerns regarding the Utility's contribution level, the Utility shall submit documentation of all CIAC that has been collected

since the test year when it submits documentation of pro forma plant. Staff shall bring to us any potential issues with CIAC, if necessary.

Used & Useful

K W Resort's wastewater treatment plant shall be considered 72 percent U&U and the wastewater collection system shall be considered 100 percent U&U in Phase II. To reflect the appropriate U&U percentages in Phase II, plant shall be decreased by \$2,183,032, accumulated depreciation shall be decreased by \$827,703, CIAC shall be decreased by \$197,960, and the accumulated amortization of CIAC shall be decreased by \$86,713. Corresponding adjustments shall be made to decrease depreciation expense and amortization expense by \$117,108 and \$10,998, respectively. As such, rate base shall be decreased by \$1,244,082 ($-\$2,183,032 + \$827,703 + \$197,960 - \$86,713$) and net depreciation expense shall be decreased by \$106,110 ($-\$117,108 + \$10,998$).

Working Capital

Based on the projected timeline to completion, Phase II rates shall reflect an additional year of amortization of its deferred Last Stand legal fees. We decreased Phase I working capital by \$95,487 to reflect the first year of amortization. As such, working capital in Phase II shall be decreased by an additional \$95,487 to reflect an additional year of amortization. We note that additional Last Stand legal expenses could potentially be recognized as an additional deferred asset upon submission of support documentation in Phase II.

Rate Base Summary

The adjustments above increase Phase I rate base by \$1,648,015. Thus, Phase II rate base is \$1,685,725 ($\$37,710 + \$1,648,015$) as shown on Schedule No. 5-A.

Cost of Capital

Two additional adjustments to the Utility's capital structure shall be made. The Utility's pro forma adjustment to common equity shall be reflected in Phase II. As such, an increase to the common equity balance of \$3,500,000 in Phase II to reflect the equity provided to fund the WWTP expansion shall be made. We will not reconcile rate base to capital structure pro rata over all sources of capital as we did in Phase I. The pro forma plant included in Phase II increases rate base substantially. Therefore, it is appropriate for customer deposits to be specifically identified and rate base to be reconciled to the capital structure over investor sources of capital. Based on the leverage formula currently in effect, the appropriate ROE is 9.36 percent,¹² with a range of plus or minus 100 basis points. The resulting overall cost of capital is 7.64 percent as shown on Schedule No. 6.

¹² Order No. PSC-15-0259-PAA-WS, issued July 2, 2015, in Docket No. 150006-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) (f), Florida Statutes.

Operating Expenses

Phase II operating expenses are \$2,357,038 (\$2,236,168 + \$109,717) as shown on Schedule No. 7-A. This amount reflects an additional \$85,179 in depreciation expense and an additional \$35,691 in taxes other than income associated with the pro forma plant additions.

Conclusion

The Utility's Phase II revenue requirement is \$2,485,904 which equates to an 11.07 percent increase over the approved Phase I revenue requirement. Phase II rate base and rate base adjustments are shown on Schedule Nos. 5-A and 5-B. The capital structure for Phase II is shown on Schedule No. 6. The NOI and NOI adjustments are shown on Schedule Nos. 7-A and 7-B. The resulting rates are shown on Schedule No. 8.

Implementation of the Phase II rates is conditioned upon K W Resort completing the pro forma items within 12 months of the issuance of the Final Order. The Utility shall be allowed to implement the approved rates on Schedule No. 8 once all pro forma items have been completed and placed into service. Once verified by staff, the rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until notice has been received by the customers. K W Resort shall provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma plant items, the Utility shall immediately notify us, in writing, in advance of the deadline, so as to allow us ample time to consider an extension.

Further, the Utility shall be required to submit a copy of the final invoices and support documentation for the pro forma plant items within 60 days of the in-service date. In addition, the Utility shall submit documentation of all CIAC that has been collected since the test year. If the actual costs are greater than the approved Phase II amounts, the Utility shall be afforded the opportunity to request an additional increase, in writing, for our consideration. If the actual costs are less than the approved amounts, staff will file a subsequent recommendation to lower the Phase II rates for the incremental decrease.

Rates and Rate Structures

K W Resort provides wastewater service to approximately 1,604 residential customers and 457 general service customers, including multifamily customers and marinas. The Florida Keys Aqueduct Authority (FKAA) provides water service to the Utility's customers and gives the Utility the water billing data on a monthly basis. The Utility's tariff contains rates for residential and general service customers, as well as separate rates for marinas, pool facilities, private lift station owners, and temporary service for dewatering sludge loads. The current rate

structure and rates have been developed as a result of a prior complaint docket,¹³ several requests for a new class of service,¹⁴ as well as the last rate case.¹⁵

According to the Utility's MFRs and billing data, the Utility's billing practice for several general service customers is inconsistent with its approved tariff. Staff will address whether the Utility shall be ordered to show cause why it shall not be fined for charging rates that are inconsistent with its tariff in a subsequent proceeding. Some examples are noted below:

- Safe Harbor Marina is billed a negotiated rate, rather than the approved bulk flat rate.
- Sunset Marina is billed base facility charges (BFCs) based on an 8" and a 2" meter, the Utility's approved gallonage charge based on water demand, the approved charge for two pools, as well as an additional 64 BFCs based on the number of units behind the meter.
- Marinas with 2" meters are billed based on an approved bulk flat rate that includes BFCs for a 2" meter and six residential units, as well as a gallonage charge that was erroneously added to the bulk rate tariff as a result of an administrative approval of a 2011 price index.
- One general service customer with a 6" meter is billed the BFC for a 5/8"x3/4" meter for each of the 103 units.
- Another general service customer with a 5/8"x3/4" meter is billed the BFC for a 5/8"x3/4" meter for 49 units.

According to the Utility, several general service customers have installed their own meter behind the FKAA meter so that their wastewater bill would be based on only the water that returns to the wastewater system (excluding water used for washing boats, etc.). At the customer's request, the Utility has been reading the customer-owned meters instead of using the FKAA data. However, K W Resort expressed concern about whether the customer-owned meters are properly calibrated. In other instances, K W Resort reads customer-owned meters and deducts that reading from the FKAA meter reading to address the issue of water use that is not returned to the wastewater system.

¹³Order No. PSC-02-1165-PAA-SU, issued August 26, 2002, in Docket No. 020520-SU, In re: Complaint by Safe Harbor Marina against K W Resort Utilities Corp. and request for new class of service for bulk wastewater rate in Monroe County.

¹⁴Order Nos. PSC-95-0335-FOF-SU, issued March 10, 1995, in Docket No. 941323-SU, In re: Request for approval of a new class of service in Monroe County by K W Resort Utilities Corporation; PSC-99-0489-FOF-SU, issued March 8, 1999, in Docket No. 970229-SU, In re: Application for limited proceeding increase in reuse water rates in Monroe County by K W Resort Utilities Corp.; PSC-02-1711-TRF-SU, issued December 9, 2002, in Docket No. 021008-SU, In re: Request for approval of two new classes of bulk wastewater rates in Monroe County by K W Resort Utilities Corp.; and PSC-05-0955-TRF-SU, issued October 7, 2005, in Docket No. 050474-SU, In re: Request for approval of new class of bulk wastewater rates in Monroe County by K W Resort Utilities Corp.

¹⁵Order No. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

On February 10, 2016, pursuant to an informal request by staff, the Utility provided a revised Schedule E-2 and supporting documentation, including a list of general service customers and details regarding how each customer was billed during the test year. The analysis also contains further adjustments to the billing determinants in Schedule E-2 to reflect the billing determinants based on customer meter size.

The following is a description of each of the Utility's currently approved rate structures.

Residential Service and General Service Rate Structures

Prior to the Utility's last rate case, the Utility charged its residential customers a flat rate. However, in the last rate case, we approved a residential rate structure that is typical of most wastewater utilities, including a BFC, regardless of meter size, and a gallonage charge based on water demand with a 10,000 gallon per month cap. According to the prior order, water use information was previously not available from the FKAA; however, in the last rate case, the Utility indicated that the data would be available on a going-forward basis.¹⁶

The Utility's general service rate structure includes a BFC based on the size of the customer's water meter and a gallonage charge based on water demand. The gallonage charge is 20 percent higher than the residential gallonage charge to reflect that the majority of the general service water is returned to the wastewater system.

Flat Bulk Rate Structure for Marinas and Pools

In the Utility's last rate case, we approved flat bulk rates for Safe Harbor Marina and South Stock Island Marina based on the estimated number of equivalent residential connections (ERCs) for each marina. For example, residential units were considered one ERC, live aboard boats were considered .6 ERCs, etc. The rates had previously been set as a result of a complaint by Safe Harbor and the Utility's request for a new class of service,¹⁷ and the Utility's request for a new class of service for South Stock Island.¹⁸ The Safe Harbor order noted that the Utility was charging the marina a flat rate for the unmetered bar and restaurant that we had not approved. We also found that K W Resort was billing discriminatory rates to Safe Harbor. The bulk rates for the marinas reflect a discount because the marinas own and maintain their lift stations.

We note that the Utility also has an approved tariff for customers who own and maintain their own lift station; but those rates are consistent with the Utility's approved general service rates and do not include a discount to reflect that the customer owns and maintains the lift station. The Utility does not currently bill any of its customers based on this tariff even though the Utility states there are approximately 20 customers that own and maintain their own lift station.

¹⁶ Order No. PSC-09-0057-FOF-SU

¹⁷ Order No. PSC-02-1165-PAA-SU, issued August 26, 2002, in Docket No. 020520-SU, In re: Complaint by Safe Harbor Marina against K W Resort Utilities Corp. and request for new class of service for bulk wastewater rate in Monroe County.

¹⁸ Order No. PSC-05-0955-TRF-SU, issued October 7, 2005, in Docket No. 050474-SU, In re: Request for approval of new class of bulk wastewater rates in Monroe County by K W Resort Utilities Corp.

The Utility's initial MFRs in the current rate case included a flat bulk rate for Safe Harbor Marina that was inconsistent with the Utility's approved tariff. In response to a data request, the Utility indicated that subsequent to the Utility's last rate case, the Utility "entered into an agreement with Safe Harbour Marina whereby the Utility would continue to charge the \$1,650.67, not the lower \$947.00" approved in Order No. PSC-09-0057-FOF-SU. According to the Utility, there has been major redevelopment on the property placing greater demand on the system than reflected by the current meter size.

In addition, a review of the Utility's tariff shows that as a result of a 2011 price index filing, a gallonage charge was inadvertently added to the Utility's approved tariff for South Stock Island Marina. We have not approved this gallonage charge which was in addition to the approved flat bulk rate. The Utility subsequently began billing South Stock Island Marina the flat bulk rate as well as the gallonage charge that was incorporated in the tariff as a result of the price index.

The Utility also has approved flat rates for swimming pools. A small pool is considered 1.18 ERCs and a large pool, which includes a clubhouse, is 4 ERCs. The flat rates were originally approved in Docket No. 021008-SU, as a result of a request for a new class of service, following our discovery that the Utility was charging an unauthorized charge during our review of the Utility's 2002 Price Index filing. According to the order, the Utility was not ordered to show cause why it should not be fined for failure to apply for a new class of service because (1) the Utility was cooperative in providing the necessary information, (2) the Utility provided assurances that the revenues were included in the Utility's annual reports and the appropriate Regulatory Assessment Fees were paid, and (3) the Utility thoroughly understood the requirements for applying for a new class of service and the need to not initiate new classes of service without notifying us in a timely manner.

Temporary Service Agreements for Dewatering Sludge Loads

The Utility also has an approved tariff for temporary service agreements for dewatering sludge loads. The original tariff was approved in Docket No. 021008-SU, as a result of a request for a new class of service. As described above, the Utility was not previously ordered to show cause why it should not be fined for failure to apply for a new class of service. A septic tank pumping company was collecting sludge from several commercial customers and dewatering the sludge to reduce the amount of waste that had to be transported for further processing. The Utility received and treated the effluent that resulted from the dewatering process. The Utility no longer provides this service; therefore, no revenues were collected during the test year. According to the Utility, the tariff for temporary service agreements for dewatering sludge loads is no longer needed.

Summary

In its MFRs, the Utility's proposed rates reflect the existing rate structure with across-the-board increases for each of the rates. The Utility did not provide any other rate design analysis to justify its proposed rates.

We performed an analysis of the Utility's billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. In addition, we evaluated whether the Utility's current rate structure and billing practice are just, reasonable, compensatory, and not unfairly discriminatory pursuant to Section 367.081(2), F.S. 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 that considers approximately the amount of water that may return to the wastewater system.

Based on our review of the Utility's approved tariff and billing data, as well as prior dockets addressing the Utility's rate structure, the Utility's general service rate structure shall be redesigned to reflect a rate structure that is consistent with other wastewater utilities we regulate. While the Utility had difficulty obtaining metered water usage information from FKAA in the past, that information is now available for all of K W Resort's customers. The Utility provided adjusted billing determinants, which reflect residential and general service bills based on meter size and gallons. In addition, we made an adjustment to reflect the appropriate number of residential gallons at the cap. These adjusted billing determinants shall be used to develop final rates. All customers shall be billed based on the billing data received from FKAA. The Utility shall not be responsible for reading customer-owned meters. If a customer has concerns about meter sizes or deduct meters, the customer's recourse is with the FKAA.

Our standard practice is to allocate at least 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. However, in order to mitigate the rate impact at non-discretionary usage levels, the Utility's rates shall be designed to recover 40 percent of its revenue from the BFC. Further, consistent with the Utility's currently approved rate structure, all residential customers shall be billed a BFC regardless of meter size and a gallonage charge based on water demand with a 10,000 gallon cap. All general service customers shall be billed based on meter size with a gallonage charge based on water demand. The general service gallonage charge shall be 20 percent higher than the residential gallonage charge to reflect that not all residential water demand is returned to the wastewater system. In addition, the tariff for private lift station owners, including the marinas, shall be revised to reflect a BFC based on meter size that is 20 percent less than the applicable general service BFC consistent with our prior orders that have recognized a discount for customer-owned lift stations. The tariffs for bulk service for the marinas shall be cancelled. Each of the pool facilities is served by a 5/8" x 3/4" water meter; therefore, flat rates for pools shall be discontinued and the Utility shall be required to bill those facilities based on meter size for general service customers consistent with the provisions of this Order for the other general service customers. If a customer has multiple meters, the Utility shall charge the approved BFC for each meter. The tariff for temporary service agreements for dewatering sludge loads shall be cancelled.

In the February 10, 2016 response to staff, the Utility expressed serious concerns about a drastic change in the billing methodology, which could substantially increase rates for certain customers, result in repressed usage, and customers potentially reducing meter sizes. The Utility also believes that such large increases will also increase the number of delinquent and subsequently uncollectible accounts. Given the uncertainty with respect to customer response to

our approved rate structure, a repression adjustment shall not be included at this time. However, based on our analysis of the impact of the change in rate structure, it appears that many general service customers will benefit from the change in rate structure, particularly those customers that were billed based on both meter size and number of units behind the meter.

Conclusion

Based on the foregoing, our approved rate structures and monthly wastewater rates are as shown on Schedule No. 4. The Utility shall file revised tariff sheets and a proposed customer notice to reflect our approved rates and discontinuance of reading customer meters. 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(1), F.A.C. In addition, the approved rates shall not be implemented until 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.

Reuse Service

The Utility's primary method of disposal of the treated wastewater is through reuse. The Utility currently provides reuse service to two general service customers in Monroe County. The current reuse rate for these customers is \$0.68 per 1,000 gallons. During the test year, in addition to the tariffed reuse rate, the Utility also charged for reuse testing consistent with its approved tariff.

Reuse rates are typically 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 2014 Reuse Inventory Report and showed that there are only two entities, including K W Resort, that currently charge for reuse with K W Resort's rate being significantly lower than the other provider. There are also several wastewater utilities in Monroe County that provide reuse at no charge.

We examined the revenues received from reuse service and additional testing during the test year. Based on this information, we find that \$0.93 per 1,000 gallons is a reasonable rate for K W Resort's reuse service, including the cost of testing. This would negate the need for an additional charge for testing.

Therefore, the appropriate rate for K W Resort's reuse service is \$0.93 per 1,000 gallons. The Utility shall file revised tariff sheets and a proposed customer notice to reflect our 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(1), F.A.C. In addition, the approved rates shall not be implemented until 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

Section 367.091, F.S., authorizes us to establish, increase, or change a rate or charge other than monthly rates or service availability charges. Rule 25-30.460, F.A.C., defines miscellaneous service charges as initial connection, normal reconnection, violation reconnection, and premises visit charges. The Utility requested an amendment to its existing miscellaneous service charges in the MFRs filed in this docket. Although the Utility requested a violation reconnection charge of \$150 during business hours and \$225 for after business hours, the Utility currently has an approved violation reconnection charge at actual cost, which is consistent with our practice. In response to a data request, K W Resort revised its requested miscellaneous service charges as reflected in Table 11 below.

Table 11
Proposed Miscellaneous Service Charges

Charge	Current	Proposed	
		Normal Hours	After Hours
Initial Connection	\$15	\$75	\$125
Normal Reconnection	\$15	\$75	\$125
Premises Visit	\$10	\$65	\$125

Source: Utility tariff and Utility correspondence

The Utility's request was accompanied by its reason for requesting the amendment, as well as the cost justification required by Section 367.091, F.S., as reflected in Tables 12 and 13 below.

Table 12
Initial Connection and Normal Reconnection Cost Justification

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$22.50/hr x 1hr)	\$22.50	Labor (Administrative) (\$22.50/hr x 1hr)	\$22.50
Labor (Field) (\$22.50/hr x .75hr)	16.88	Labor (Field) (\$33.75/hr x 2hr)	67.50
Labor (Supervision) (\$68.00/hr x .25hr)	17.00	Labor (Supervision) (\$68.00/hr x .25hr)	17.00
Benefits & Insurance (23%)	12.97	Benefits & Insurance (23%)	24.61
Transportation (\$.56/mile x 3 miles)	1.68	Transportation (\$.56/mile x 6 miles)	3.36
Supplies	0.80	Supplies	0.80
Postage	0.49	Postage	0.49
Total	<u>\$72.32</u>	Total	<u>\$136.26</u>

Source: Utility correspondence

Table 13
Premises Visit Cost Justification

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$22.50/hr x .5hr)	\$11.25	Labor (Administrative) (\$22.50/hr x .5hr)	\$11.25
Labor (Field) (\$22.50/hr x 1hr)	22.50	Labor (\$33.75/hr x 2hr)	67.50
Labor (Supervision) (\$68.00/hr x .25hr)	17.00	Labor (Supervision) (\$68.00/hr x .25hr)	17.00
Benefits & Insurance (23%)	11.67	Benefits & Insurance (23%)	22.02
Transportation (\$.56/mile x 3 miles)	1.68	Transportation (\$.56/mile x 6 miles)	3.36
Supplies	0.30	Supplies	0.80
Postage	0.49	Postage	0.49
Total	<u>\$64.89</u>	Total	<u>\$122.42</u>

Source: Utility correspondence

Because K W Resort is a wastewater only company, the only action needed for initial connections and normal reconnections can be handled administratively from the Utility's office. The Utility needs to work closely with FKAA to identify new connections and water service disconnections. We find the Utility's existing initial connection and normal reconnection charges sufficient and an after-hours charge is not necessary. However a customer may request that the Utility make a premises visit to respond to complaints or inquiries. Thus, the Utility shall be authorized to collect a \$20 premises visit charge during normal business hours and \$45 after hours to reflect the field and administrative labor and transportation costs to respond to customers.

Table 14
Approved Miscellaneous Service Charges

Charge	Current	Commission Approved	
		Normal Hours	After Hours
Initial Connection	\$15	\$15	N/A
Normal Reconnection	\$15	\$15	N/A
Premises Visit	\$10	\$20	\$45

Source: Utility tariff and Utility correspondence

Our practice has been to place the burden of such charges on the cost causer rather than the general body of ratepayers. This is consistent with one of the fundamental principles of rate

making—ensuring that the cost of providing service is recovered from the cost causer.¹⁹ Therefore, we find that a premises visit charge of \$20 during normal business hours and \$45 are reasonable and shall be approved, if the Utility files a revised tariff.

Based on the above, K W Resort's requested miscellaneous service charges shall not be approved. However, the miscellaneous service charges shown in Table 14 are appropriate and shall be approved if the Utility files a revised tariff. K W Resort shall be required to file a proposed customer notice and tariff to reflect our approved charges. The approved charges shall be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved charges shall not be implemented until staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Non-Sufficient Funds Charges

Section 367.091, F.S., requires or approval of rates, charges, and customer service policies. We have the authority to establish, increase, or change a rate or charge. K W Resort shall be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- (1) \$25, if the face value does not exceed \$50,
- (2) \$30, if the face value exceeds \$50 but does not exceed \$300,
- (3) \$40, if the face value exceeds \$300,
- (4) Or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with our prior decisions.²⁰ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, K W Resort shall be authorized to collect NSF charges. K W Resort shall revise its tariff sheet to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges shall be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the NSF charges shall not be implemented until staff has approved the proposed customer notice. The Utility shall provide proof of the date the notice was given within 10 days of the date of the notice.

¹⁹Order Nos. PSC-03-1119-PAA-SU, issued October 7, 2003, in Docket No. 030106-SU, In re: Application for staff-assisted rate case in Lee County by Environmental Protection Systems of Pine Island, Inc.; and PSC-96-1409-FOF-WU, issued November 20, 1996, in Docket No. 960716-WU, In re: Application for transfer of Certificate No. 123-W in Lake County from Theodore S. Jansen d/b/a Ravenswood Water System to Crystal River Utilities, Inc.

²⁰Order Nos. PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 140030-SU, In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.; and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 130025-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

Late Payment Charge

The Utility is requesting a \$9.50 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. The Utility's request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091, F.S. We approve a \$6.50 charge for the reasons stated below.

The Utility has a total of 3,200 customer accounts per month and, according to the Utility, there are a number of customers that do not pay by the due date each billing cycle. Based on historical data and the monthly billing cycle, the Utility anticipates it will prepare late payment notices for approximately 30 accounts per billing cycle. In the past, we have allowed 10-15 minutes per account per month for clerical and administrative labor to research, review, and prepare the notice.²¹ The Utility indicated it will spend approximately eight hours per billing cycle processing late payment notices, which results in an average of approximately 16 minutes per account (480 minutes / 30 accounts) and is within reason of our past decisions. The late payment notices will be processed by an employee, which results in labor cost of \$9.00 (8 x \$33.75 / 30) per account. The labor cost shall be performed by an administrative employee at the rate of \$22.50 per hour. This would result in labor cost of \$6.00 (8 x \$22.50 / 30). Both the Utility's and our cost basis for the late payment charge, including the labor, is shown in Table 15 below.

Table 15
Late Payment Charge Cost Justification

Activity	Utility Proposed		Activity	Commission Approved
Labor	\$9.00		Labor	\$6.00
Printing	0.02		Printing	0.02
Postage	<u>0.49</u>		Postage	<u>0.49</u>
Total Cost	<u>\$9.51</u>		Total Cost	<u>\$6.51</u>

Source: Utility correspondence

Based on our research, since the late 1990s, we have approved late payment charges ranging from \$2.00 to \$7.00.²² The purpose of this charge is not only to provide an incentive for

²¹Order No. PSC-11-0204-TRF-SU, issued April 25, 2011, in Docket No. 100413-SU, In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater; Order No. PSC-08-0255-PAA-WS, issued April 24, 2008, in Docket No. 070391-WS, In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.; Order No. PSC-01-2101-TRF-WS, issued October 22, 2001, in Docket No. 011122-WS, In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.

²²Order Nos. PSC-01-2101-TRF-WS; Order No. PSC-08-0255-PAA-WS; Order No. PSC-09-0752-PAA-WU, issued November 16, 2009, in Docket No. 090185-WU, In re: Application for grandfather certificate to operate water utility in St. Johns County by Camachee Island Company, Inc. d/b/a Camachee Cove Yacht Harbor Utility;

customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers.

Based on the above, K W Resort's request to implement a \$9.50 late payment charge shall not be approved. However, a charge of \$6.50 shall be approved if the Utility files a revised tariff. K W Resort shall be required to file a proposed customer notice and revised tariff to reflect the approved charge. The approved charge shall be effective 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 charge shall not be implemented until staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Lift Station Charge

In the Utility's last rate case the Utility collected \$19,575 associated with the cleaning of the MCDC lift station. The Utility also collected \$19,550 from the MCDC during the current test year through a monthly assessment. There is a great deal of time and effort involved with cleaning the MCDC lift station; therefore, a specific monthly charge shall be authorized, consistent with our practice, so that the cost burden is placed solely upon those who are the cost causer. The Utility provided cost justification as follows:

Table 16
Lift Station Cleaning Charge Cost Justification

Activity	Normal Hours Cost
Labor (\$21/hr x 1.5hr)	\$31.50
Disposal Cost (\$13.55/lb x 100 lb)	\$13.55
Supplies	\$3.00
Total Per Day	\$48.05
Annual Charge (\$48.05 x 365)	\$17,538.25
Monthly Charge (\$17,538.25 / 12)	\$1,461.52

Source: Utility correspondence

and PSC-10-0257-TRF-WU, issued April 26, 2010, in Docket No. 090429-WU, In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.; and PSC-11-0204-TRF-SU; Order No. PSC-14-0105-TRF-WS, issued February 20, 2014, in Docket No. 130288-WS, In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.

K W Resort shall be authorized to collect a monthly lift station cleaning charge of \$1,462 from the MCDC. K W Resort shall be required to file a proposed customer notice to reflect our approved charge. The approved charge shall be effective 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 staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Service Availability Policy and Charges

Although K W Resort did not request a change in its service availability policy or charges, we reviewed the Utility's approved policy and charges, as well its current contribution level and the impact of the pro forma plant on that contribution level. The Utility's service availability policy and charges, which were approved in Docket No. 980341-SU, provide that new connections pay for the cost of the collection system need to serve the customer as well as a plant capacity charge of \$2,700 per ERC.

As of December 31, 2014, the Utility's contribution level, net CIAC / net plant (\$6,634,936 / \$5,648,278), was in excess of 100 percent. The Utility has total CIAC of \$9,649,877 and total plant in service and land of \$11,483,464; however, because the plant is significantly depreciated, the net CIAC balance exceeds the net plant balance. With the addition of the approved pro forma plant items, the resulting contribution level is 74 percent, with no additional CIAC from future customers.

Pursuant to Rule 25-30.580, F.A.C., the Utility's contribution level shall not exceed 75 percent at designed capacity. Further, the rule also provides that, at a minimum, customers shall pay for the cost of the lines. While the Utility will have additional capacity as a result of the planned plant expansion, we find that, given the high contribution level, the Utility shall no longer be authorized to collect a plant capacity charge. However, the Utility shall be allowed to recover from future connections the cost of the lines needed to serve those customers.

Customers connecting after the effective date of the revised tariff shall not be required to pay a plant capacity charge. Any customer that has prepaid the plant capacity charge but not connected to the wastewater system as of the effective date of the revised tariff shall be refunded the prepaid plant capacity charge.

K W Resort shall be authorized to collect a water main extension charge or receive donated lines from future connections. However, consistent with the guidelines set forth in Rule 25-30.580, F.A.C., the Utility shall no longer be authorized to collect a plant capacity charge. K W Resort shall be required to file a proposed customer notice to reflect the approved charge. The approved charge shall be effective 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 staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Four-Year Rate Reduction

Section 367.0816, F.S., requires that the 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 \$43,761 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 K W Resort'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.

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. K W Resort 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.

Commission-Ordered Adjustments

The Utility shall be required to notify us in writing that it has adjusted its books in accordance with our decision. K W Resort shall 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 shall be provided within seven days prior to deadline. Upon providing good cause, staff shall be given 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 the application for increased water rates by K W Resort Utilities Corp. is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. 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 K W Resort Utilities Corp. shall charge all the rates and charges as set forth in the body of this Order as shown on Schedules No. 4 and 8 attached hereto. It is further

ORDERED that K W Resort Utilities Corp. shall submit documentation of all CIAC that has been collected since the test year when it submits documentation of pro forma plant. It is further

ORDERED by the Florida Public Service Commission that K W Resort Utilities Corp. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. It is further

ORDERED that 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(1), F.A.C. It is further

ORDERED that the approved rates shall not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. It is further

ORDERED that K W Resort Utilities Corp. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the wastewater rates shall be reduced as shown on Schedule No. 4, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. K W Resort Utilities Corp. shall 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. It is further

ORDERED that within 90 days of an effective date of the Order finalizing this docket K W Resort Utilities Corp. shall submit a letter confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records.

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 issues files a protest within 21 days of the issuance of the Order, a Consummating Order will be issued. It is further

ORDERED that, this docket shall remain open for staff's verification that the outstanding Phase I pro forma items have been completed, the revised tariff sheets and customer notice have been filed by K W Resort Utilities Corp. and approved by staff, the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made and that the Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 23rd day of March, 2016.



CARLOTTA S. STAUFFER

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.

MFB

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice shall not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action herein, except for requiring a four-year reduction and proof of adjustments, 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, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 13, 2016. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket 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, regarding the four-year reduction and proof of adjustments, may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within

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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 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 No. 1-A	
Schedule of Wastewater Rate Base				Docket No. 150071-SU	
Test Year Ended 12/31/14				Phase I	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year
1 Plant in Service	\$11,925,704	\$3,574,468	\$15,500,172	(\$4,391,708)	\$11,108,464
2 Land and Land Rights	375,923	0	375,923	(923)	375,000
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(5,828,761)	(200,666)	(6,029,427)	194,241	(5,835,186)
5 CIAC	(9,946,997)	0	(9,946,997)	297,120	(9,649,877)
6 Amortization of CIAC	3,096,094	0	3,096,094	(81,153)	3,014,941
7 Construction Work in Progress	0	0	0	303,099	303,099
8 Working Capital Allowance	<u>0</u>	<u>1,367,232</u>	<u>1,367,232</u>	<u>(645,964)</u>	<u>721,268</u>
9 Rate Base	<u>(\$378,037)</u>	<u>\$4,741,034</u>	<u>\$4,362,997</u>	<u>(\$4,325,287)</u>	<u>\$37,710</u>

K W Resort Utilities Corp.		Schedule No. 1-B
Adjustments to Rate Base		Docket No. 150071-SU
Test Year Ended 12/31/14		Phase I
Explanation	Wastewater	
Plant In Service		
1 Reflect agreed upon audit adjustments. (Issue 2)	(\$817,240)	
2 Remove pro forma plant. (Issue 3)	<u>(3,574,468)</u>	
Total	<u>(\$4,391,708)</u>	
Land		
Reflect agreed upon audit adjustments. (Issue 2)	<u>(\$923)</u>	
Accumulated Depreciation		
1 Reflect agreed upon audit adjustments. (Issue 2)	(\$2,040)	
2 Remove pro forma plant accumulated depreciation. (Issue 3)	<u>196,281</u>	
Total	<u>\$194,241</u>	
CIAC		
Reflect agreed upon audit adjustments. (Issue 2)	<u>\$297,120</u>	
Accumulated Amortization of CIAC		
Reflect agreed upon audit adjustments. (Issue 2)	<u>(\$81,153)</u>	
CWIP		
Reflect agreed upon audit adjustments. (Issue 2)	<u>\$303,099</u>	
Working Capital		
1 Reflect agreed upon audit adjustments. (Issue 2)	\$51,600	
2 Reflect appropriate cash balance to include in working capital. (Issue 5)	(615,687)	
3 Reflect appropriate deferred rate case expense. (Issue 5).	13,611	
4 Reflect a year of amortization for legal fees. (Issue 5)	<u>(95,487)</u>	
Total	<u>(\$645,964)</u>	

K W Resort Utilities Corp. Capital Structure-13-Month Average Test Year Ended 12/31/14							Schedule No. 2 Docket No. 150071-SU Phase I	
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$1,248,337	\$0	\$1,248,337	(\$75,868)	\$1,172,469	26.87%	5.37%	1.44%
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	(276,537)	3,500,000	3,223,463	(195,907)	3,027,556	69.39%	9.36%	6.50%
5 Customer Deposits	162,972	0	162,972	0	162,972	3.74%	2.00%	0.07%
6 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
7 Total Capital	<u>\$1,134,772</u>	<u>\$3,500,000</u>	<u>\$4,634,772</u>	<u>(\$271,775)</u>	<u>\$4,362,997</u>	<u>100.00%</u>		<u>8.01%</u>
Per Commission								
8 Long-term Debt	\$1,248,337	\$0	\$1,248,337	(\$1,214,982)	\$33,355	88.45%	5.37%	4.75%
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	(276,537)	276,537	0	0	0	0.00%	11.16%	0.00%
12 Customer Deposits	162,972	0	162,972	(158,617)	4,355	11.55%	2.00%	0.23%
13 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
14 Total Capital	<u>\$1,134,772</u>	<u>\$276,537</u>	<u>\$1,411,309</u>	<u>(\$1,373,599)</u>	<u>\$37,710</u>	<u>100.00%</u>		<u>4.98%</u>
						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>	
OVERALL RATE OF RETURN						<u>4.98%</u>	<u>4.98%</u>	

**Schedule No. 3-A
Docket No. 150071-SU
Phase I**

**K W Resort Utilities Corp.
Statement of Wastewater Operations
Test Year Ended 12/31/14**

	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$1,479,307</u>	<u>\$1,452,452</u>	<u>\$2,931,759</u>	<u>(\$1,376,898)</u>	<u>\$1,554,861</u>	<u>\$683,185</u> 43.94%	<u>\$2,238,046</u>
	Operating Expenses							
2	Operation & Maintenance	\$1,199,672	\$840,042	\$2,039,714	(\$93,310)	\$1,946,404	\$0	\$1,946,404
3	Depreciation	95,996	200,666	296,662	(187,767)	108,895	0	108,895
4	Amortization	0	0	0	0	0	0	0
5	Taxes Other Than Income	132,607	113,300	245,907	(95,781)	150,126	30,743	180,869
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>1,428,275</u>	<u>1,154,008</u>	<u>2,582,283</u>	<u>(376,859)</u>	<u>2,205,424</u>	<u>30,743</u>	<u>2,236,168</u>
8	Operating Income	<u>\$51,032</u>	<u>\$298,444</u>	<u>\$349,476</u>	<u>(\$1,000,039)</u>	<u>(\$650,563)</u>	<u>\$652,442</u>	<u>\$1,878</u>
9	Rate Base	<u>(\$378,037)</u>		<u>\$4,362,997</u>		<u>\$37,710</u>		<u>\$37,710</u>
10	Rate of Return	<u>(13.50%)</u>		<u>8.01%</u>		<u>(1,725.19%)</u>		<u>4.98%</u>

K W Resort Utilities Corp.		Schedule No. 3-B
Adjustment to Operating Income		Docket No. 150071-SU
Test Year Ended 12/31/14		Phase I
Explanation	Wastewater	
Operating Revenues		
1 Remove requested final revenue increase.	(\$1,438,382)	
2 To reflect the appropriate amount of test year revenues. (Issue 9)	<u>61,484</u>	
Total	<u>(\$1,376,898)</u>	
Operation and Maintenance Expense		
1 Reflect agreed upon audit adjustments. (Issue 2)	(\$17,085)	
2 Reflect appropriate pro forma expense. (Issue 11)	(10,028)	
3 Remove management fees. (Issue 12)	(60,000)	
4 Reflect further adjustments to O&M expense (Issue 13)	(13,003)	
5 Reflect appropriate rate case expense amortization. (Issue 14)	<u>6,805</u>	
Total	<u>(\$93,310)</u>	
Depreciation Expense - Net		
1 Reflect agreed upon audit adjustments. (Issue 2)	\$8,514	
2 Remove pro forma depreciation expense. (Issue 3)	<u>(196,281)</u>	
Total	<u>(\$187,767)</u>	
Taxes Other Than Income		
1 To remove RAFs on adjustments above.	(\$63,169)	
2 Remove pro forma property taxes. (Issue 3)	(35,696)	
3 Reflect appropriate pro forma payroll taxes. (Issue 11)	<u>1,875</u>	
Total	<u>(\$95,781)</u>	

KW RESORT UTILITES CORP. TEST YEAR ENDED DECEMBER 31, 2014 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4 DOCKET NO. 150071-SU	
	UTILITY CURRENT RATES	UTILITY REQUESTED RATES	COMMISSION APPROVED PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential Service</u>				
All Meter Sizes	\$17.81	\$35.09	\$31.66	\$0.64
Charge per 1,000 gallons - Residential 10,000 gallon cap	\$3.87	\$7.62	\$5.25	\$0.11
<u>General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$17.81	\$35.09	\$31.66	\$0.64
1"	\$44.53	\$87.72	\$79.15	\$1.60
1-1/2"	\$89.05	\$175.43	\$158.30	\$3.20
2"	\$142.47	\$280.67	\$253.28	\$5.12
3"	\$284.95	\$561.35	\$506.56	\$10.24
4"	\$445.24	\$877.12	\$791.50	\$16.00
6"	\$890.49	\$1,754.27	\$1,583.00	\$31.99
8"	\$1,602.86	\$3,157.63	\$2,532.80	\$51.19
8" Turbo	\$2,048.10	\$4,034.76	\$2,849.40	\$57.58
Charge per 1,000 gallons - General Service	\$4.64	\$9.14	\$6.30	\$0.13
<u>Reuse Service</u>				
Per 1,000 gallons	\$0.68	\$1.34	\$0.93	\$0.02
<u>Private Lift Station Owners</u>				
5/8" x 3/4"	\$17.81	\$35.09	\$25.33	\$0.51
1"	\$44.53	\$87.72	\$63.32	\$1.28
1-1/2"	N/A	N/A	\$126.64	\$2.56
2"	\$142.47	\$280.67	\$202.62	\$4.09
3"	N/A	N/A	\$405.25	\$8.19
4"	N/A	N/A	\$633.20	\$12.80
6"	N/A	N/A	\$1,266.40	\$25.59
8"	N/A	N/A	\$2,026.24	\$40.95
Charge per 1,000 gallons - General Service	\$4.64	\$9.14	\$6.30	\$0.13
<u>Bulk Wastewater Rate</u>				
Safe Harbor Marina	\$917.11	\$3,280.11	N/A	N/A
South Stock Island Marinas	\$244.43	\$481.53	N/A	N/A
Charge per 1,000 gallons - Bulk Wastewater	\$4.64	\$9.14	N/A	N/A
<u>Swimming Pools</u>				
Large	\$105.75	\$207.54	N/A	N/A
Small	\$31.31	\$61.68	N/A	N/A
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
4,000 Gallons	\$33.29	\$65.57	\$52.66	
6,000 Gallons	\$41.03	\$80.81	\$63.16	
10,000 Gallons	\$56.51	\$111.29	\$84.16	

K W Resort Utilities Corp.		Schedule No. 5-A		
Schedule of Wastewater Rate Base		Docket No. 150071-SU		
Test Year Ended 12/31/14		Phase II		
Description		Phase I Amounts	Commission Adjust- ments	Phase II Adjusted Test Year
1	Plant in Service	\$11,108,464	\$3,481,973	\$14,590,437
2	Land and Land Rights	375,000	0	375,000
3	Non-used and Useful Components	0	(1,244,082)	(1,244,082)
4	Accumulated Depreciation	(5,835,186)	(191,289)	(6,026,475)
5	CIAC	(9,649,877)	0	(9,649,877)
6	Amortization of CIAC	3,014,941	0	3,014,941
7	Construction Work in Progress	303,099	(303,099)	0
8	Working Capital Allowance	<u>721,268</u>	<u>(95,487)</u>	<u>625,781</u>
9	Rate Base	<u>\$37,710</u>	<u>\$1,648,015</u>	<u>\$1,685,725</u>

K W Resort Utilities Corp.		Schedule No. 5-B
Adjustments to Rate Base		Docket No. 150071-SU
Test Year Ended 12/31/14		Phase II
Explanation	Wastewater	
Plant In Service		
Reflect appropriate pro forma plant. (Issue 16)	<u>\$3,481,973</u>	
Non-used and Useful		
Reflect non-used and useful component. (Issue 16)	<u>(\$1,244,082)</u>	
Accumulated Depreciation		
To reflect pro forma accumulated depreciation. (Issue 16)	<u>(\$191,289)</u>	
CWIP		
Reflect plant project placed in service. (Issue 16)	<u>(\$303,099)</u>	
Working Capital		
To reflect an additional year of amortization of legal fees. (Issue 16)	<u>(\$95,487)</u>	

K W Resort Utilities Corp.	Schedule No. 6
Capital Structure-13 Month Average	Docket No. 150071-SU
Test Year Ended 12/31/14	Phase II

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$1,248,337	\$0	\$1,248,337	(\$75,868)	\$1,172,469	26.87%	5.37%	1.44%	
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	(276,537)	3,500,000	3,223,463	(195,907)	3,027,556	69.39%	9.36%	6.50%	
5 Customer Deposits	162,972	0	162,972	0	162,972	3.74%	2.00%	0.07%	
6 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
7 Total Capital	<u>\$1,134,772</u>	<u>\$3,500,000</u>	<u>\$4,634,772</u>	<u>(\$271,775)</u>	<u>\$4,362,997</u>	<u>100.00%</u>		<u>8.01%</u>	
Per Commission									
8 Long-term Debt	\$1,248,337	\$0	\$1,248,337	(\$823,249)	\$425,088	25.22%	5.37%	1.35%	
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	(276,537)	3,500,000	3,223,463	(2,125,798)	1,097,665	65.12%	9.36%	6.10%	
12 Customer Deposits	162,972	0	162,972	0	162,972	9.67%	2.00%	0.19%	
13 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	
14 Total Capital	<u>\$1,134,772</u>	<u>\$3,500,000</u>	<u>\$4,634,772</u>	<u>(\$2,949,047)</u>	<u>\$1,685,725</u>	<u>100.00%</u>		<u>7.64%</u>	
						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>8.36%</u>	<u>10.36%</u>		
OVERALL RATE OF RETURN						<u>6.99%</u>	<u>8.30%</u>		

K W Resort Utilities Corp. Statement of Wastewater Operations Test Year Ended 12/31/14				Schedule No. 7-A Docket No. 150071-SU Phase II		
	Description	Phase I Amounts	Approved Adjust- ments	Approved Adjusted Test Year	Revenue Increase	Phase II Revenue Requirement
1	Operating Revenues:	<u>\$2,238,046</u>	<u>\$0</u>	<u>\$2,238,032</u>	<u>\$247,858</u> 11.07%	<u>\$2,485,904</u>
	Operating Expenses					
2	Operation & Maintenance	\$1,946,404	\$0	\$1,946,404	\$0	\$1,946,404
3	Depreciation	108,895	85,179	194,074	0	194,074
4	Amortization	0	0	0	0	0
5	Taxes Other Than Income	180,869	24,537	205,406	11,154	216,560
6	Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7	Total Operating Expense	<u>2,236,168</u>	<u>109,717</u>	<u>2,345,884</u>	<u>11,154</u>	<u>2,357,038</u>
8	Operating Income	<u>\$1,878</u>		<u>(\$107,838)</u>		<u>\$128,866</u>
9	Rate Base	<u>\$37,710</u>		<u>\$1,685,725</u>		<u>\$1,685,725</u>
10	Rate of Return	<u>4.98%</u>		<u>(6.40%)</u>		<u>7.64%</u>

K W Resort Utilities Corp.		Schedule No.7-B
Adjustment to Operating Income		Docket No. 150071-SU
Test Year Ended 12/31/14		Phase II
Explanation	Wastewater	
Depreciation Expense - Net		
1 Remove net depreciation on non-U&U adjustment. (Issue 16)	(\$106,110)	
2 Reflect depreciation expense on pro forma plant adjustment. (Issue 16)	<u>\$191,289</u>	
Total	<u>\$85,179</u>	
Taxes Other Than Income		
1 Reflect appropriate property taxes related to U&U adjustment. (Issue 16)	(\$7,338)	
2 Reflect appropriate property taxes related to pro forma adjustments. (Issue 16)	<u>\$31,875</u>	
Total	<u>\$24,537</u>	

KW RESORT UTILITES CORP.		SCHEDULE NO. 8	
TEST YEAR ENDED DECEMBER 31, 2014		DOCKET NO. 150071-SU	
MONTHLY WASTEWATER RATES		COMMISSION APPROVED PHASE I RATES	COMMISSION APPROVED PHASE II RATES
<u>Residential Service</u>			
All Meter Sizes		\$31.66	\$35.37
Charge per 1,000 gallons - Residential 10,000 gallon cap		\$5.25	\$5.86
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"		\$31.66	\$35.37
1"		\$79.15	\$88.43
1-1/2"		\$158.30	\$176.85
2"		\$253.28	\$282.96
3"		\$506.56	\$565.92
4"		\$791.50	\$884.25
6"		\$1,583.00	\$1,768.50
8"		\$2,532.80	\$2,829.60
8" Turbo		\$2,849.40	\$3,183.30
Charge per 1,000 gallons - General Service		\$6.30	\$7.04
<u>Reuse Service</u>			
Per 1,000 gallons		\$0.93	\$0.93
<u>Private Lift Station Owners</u>			
5/8" x 3/4"		\$25.33	\$28.30
1"		\$63.32	\$70.74
1-1/2"		\$126.64	\$141.48
2"		\$202.62	\$226.37
3"		\$405.25	\$452.74
4"		\$633.20	\$707.40
6"		\$1,266.40	\$1,414.80
8"		\$2,026.24	\$2,263.68
Charge per 1,000 gallons - General Service		\$6.30	\$7.04
<u>Bulk Wastewater Rate</u>			
Safe Harbor Marina		N/A	N/A
South Stock Island Marinas		N/A	N/A
Charge per 1,000 gallons - Bulk Wastewater		N/A	N/A
<u>Swimming Pools</u>			
Large		N/A	N/A
Small		N/A	N/A
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
4,000 Gallons		\$52.66	\$58.81
6,000 Gallons		\$63.16	\$70.53
10,000 Gallons		\$84.16	\$93.97