

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 150071-SU,**

**KW RESORT UTILITIES CORPORATION RATE CASE**

**DIRECT TESTIMONY OF KEVIN G. WILSON, P.E.**

**September 14, 2016**

1       **Q.     PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.**

2       A.     My name is Kevin G. Wilson, and my business address is 1100 Simonton St.,  
3             Key West, FL 33040. I am employed by Monroe County as Assistant County  
4             Administrator in charge of Public Works and Engineering. I also serve as the  
5             County Engineer.

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7       **Q.     ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?**

8       A.     I am testifying on behalf of the Board of County Commissioners of Monroe  
9             County, Florida. To the best of my knowledge, Monroe County is the largest  
10            customer of K W Resort Utilities Corp., the utility seeking rate increases in this  
11            proceeding.

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13       **Q.     PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.**

1       A.     I have a Bachelor’s Degree in Engineering from Carnegie Mellon University. A  
2             copy of my resume’ is provided as Exhibit KGW-1 to my testimony.

3             I have worked for Monroe County since July 2006. I was promoted into my  
4             current position of Assistant County Administrator in charge of Public Works and  
5             Engineering in 2015. In my current position, I am responsible for oversight of the  
6             following areas:   Wastewater, specifically including oversight of design,  
7             construction, and funding of the centralized wastewater system in the Florida  
8             Keys that is owned by Monroe County and operated by the Florida Keys  
9             Aqueduct Authority; Project Management; Engineering, including construction  
10            and maintenance of Roads and Bridges; Solid Waste programs; Solid Waste  
11            Operations; and Fleet Management. I have responsibility for overall  
12            management of all capital construction for the County, which includes buildings,  
13            sewers, roads and bridges. I oversee a staff of approximately 155 people and  
14            supervise annual budgets in the amount of approximately \$40 million in  
15            operation expenses and \$90 million in capital expenditures. I am also the senior  
16            engineering manager for the County (the County Engineer). Prior to my current  
17            position, from October 2011 until April 2015, I was a Division Director for  
18            Monroe County in charge of Public Works and Engineering. My responsibilities  
19            and duties were essentially the same then as in my current position. Prior to  
20            October 2011, I was the Director of Project Management and Engineering. My

1 responsibilities and duties in that capacity included oversight of all County road  
2 and building construction.

3 From 2003 to 2005, I was a contract employee with the Federal Government  
4 working with the U.S. Army. I am also a retired Lieutenant Colonel with the  
5 Army Reserve.

6 Prior to that, from approximately 1994 to 2003 I worked with two companies  
7 based in Austria. In that capacity, I developed and executed engineering  
8 projects, including nuclear engineering and other power generation and  
9 environmental cleanup projects, in the Middle East, Western Europe, Eastern  
10 Europe and the former Soviet bloc countries, including Russia.

11 Prior to that, I worked with a company in Korea, and prior to that time, I  
12 worked with Procter & Gamble for approximately 17 years.

13

14 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE FLORIDA PUBLIC**  
15 **SERVICE COMMISSION (“COMMISSION” OR “PSC”)?**

16 A. No.

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18 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN ANY ECONOMIC,**  
19 **ENVIRONMENTAL, LAND USE, OR SIMILAR REGULATORY OR PERMITTING**  
20 **PROCEEDINGS RELATING TO WATER SERVICE, WASTEWATER OR SEWAGE**  
21 **TREATMENT SERVICE, OR THE PROVISION OF REUSE WATER SERVICE?**

1 A. Yes. I have previously testified in four (4) cases regarding wastewater service in  
2 Monroe County, including depositions, administrative hearings, and circuit court  
3 trials. A list of these cases is attached as Exhibit KGW-2.

4

5 **Q. DO YOU HOLD ANY PROFESSIONAL CERTIFICATIONS?**

6 A. I am a Registered Professional Engineer, licensed to practice in Florida and Ohio.

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8 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

9 A. Yes, I am sponsoring the following exhibits:

KGW-1	Resumé of Kevin G. Wilson, P.E.
KGW-2	List of prior testimonies
KGW-3	Aerial Photo of Stock Island
KGW-4	South Stock Island 2010 Census Information
KGW-5	2010-2014 American Community Survey, 5 Year Estimates
KGW-6	2000 Monroe County Sanitary Master Wastewater Plan – “Hot Spot” Excerpt, Exh. 6-1
KGW-7	Monroe County Code, Section 20-102
KGW-8	List of General Service Customers by Meter Size
KGW-9	Excerpt from KWRU Stock Island WWTP, Public Utility Appraisal Report, Effective Date: December 31, 2014, Report Date January 2015
KGW-10	Projected 2017 Flows from Residential & Commercial Properties Being Developed or Existing but not yet Connected

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**PURPOSE AND SUMMARY OF TESTIMONY**

**Q. PLEASE SUMMARIZE YOUR DUTIES AND RESPONSIBILITIES IN YOUR CURRENT POSITION AS THEY RELATE TO WASTEWATER SERVICE ON STOCK ISLAND. PLEASE INCLUDE A SUMMARY OF ANY PRIOR EXPERIENCE THAT ALSO INVOLVED DUTIES AND RESPONSIBILITY WITH RESPECT TO WASTEWATER SERVICE ON STOCK ISLAND.**

A. I have worked for Monroe County since July 2006. With regard to wastewater service on Stock Island, in my current position, I am responsible for oversight of wastewater collection and treatment, specifically including oversight of design, construction, and funding of the centralized wastewater systems in the Florida Keys that are owned by Monroe County and operated by the Florida Keys Aqueduct Authority. My duties and responsibilities as Monroe County’s Assistant County Administrator necessarily include being familiar with the history of the County’s contractual relationship with K W Resort Utilities Corp. (“KWRU”) dating back to 2001, when the County entered into a certain “Utility Agreement” with KWRU, pursuant to which the County is KWRU’s customer for wastewater treatment service for County facilities on Stock Island. In particular, I am familiar with the certain “Capacity Reservation and Infrastructure Contract” dated July 31, 2002, between the County and KWRU. In that Agreement, the County agreed to pay KWRU up to \$4.6 million in order to enable KWRU to construct the

1 wastewater collection system on South Stock Island, in return for which the  
2 County received 1,500 Equivalent Dwelling Units (“EDUs,” also referred to as  
3 Equivalent Residential Connections or “ERCs”) of reserved capacity on KWRU’s  
4 system. I am also familiar with subsequent agreements between the County and  
5 KWRU. In addition, I am familiar with the County’s payment of KWRU’s rates as  
6 a customer for wastewater treatment services and reuse water service on North  
7 and South Stock Island. In addition, my duties necessarily include being familiar  
8 with economic and population growth, potable water and wastewater treatment  
9 requirements for existing and new residential and commercial establishments,  
10 and related matters throughout the County, including on North and South Stock  
11 Island.

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13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. My testimony covers three areas. First, my testimony provides factual  
15 information regarding the numbers of existing residential, commercial, and  
16 industrial water users on Stock Island that are required to connect to KWRU’s  
17 system as soon as possible by those statutes and regulations, and also regarding  
18 the projected numbers of new customers that are likely to connect to KWRU’s  
19 system within the first twelve months following the date on which KWRU’s new  
20 wastewater treatment plant begins providing commercial service. Based on  
21 projections of new customers, and using standard usage amounts for residential

1 and general service customers, I provide information regarding the number of  
2 additional gallons of wastewater treatment KWRU can reasonably be projected  
3 to provide to the customers who connect to its system over this time period. I  
4 also provide information regarding the County's use of reuse water on Stock  
5 Island.

6 Second, my testimony explains the requirements for all existing and new  
7 water users on Stock Island to connect to the wastewater treatment system of  
8 KWRU as soon as practicable. These requirements are mandated by Florida  
9 Statutes and also by regulations of Monroe County and the Florida Department  
10 of Environmental Protection ("FDEP").

11 Third, my testimony describes the history of the contractual relationships  
12 between KWRU and Monroe County, and explains the payment of contributions  
13 in aid of construction, sometimes also called capacity reservation fees, to KWRU.

14

15 **Q. PLEASE SUMMARIZE THE MAIN CONCLUSIONS OF YOUR TESTIMONY.**

16 A. Based on my knowledge of the applicable statutory and regulatory  
17 requirements, my knowledge of the numbers of existing residential units and  
18 general service establishments (commercial units), and also on my knowledge of  
19 the expected new residential and general service establishments that have been  
20 permitted for occupancy since April 1, 2016 and that I expect to be permitted for  
21 occupancy between now (September 2016) and the period ending twelve

1 months after KWRU's new wastewater treatment plant comes on line, KWRU will  
2 be required to connect approximately 15 existing and new residential units in  
3 the vacuum area and up to 279 other residential units to its system as a whole,  
4 and approximately 22 existing and new general service establishments to its  
5 system, in the remainder of 2016, 2017, and the first quarter of 2018 [within the  
6 first year of KWRU's new wastewater treatment plant's operation]. Applying  
7 standard usage amounts to these projected units, I estimate that KWRU can be  
8 expected to have to treat 207,215 additional gallons of wastewater per day, over  
9 and above the amounts that KWRU treated in 2015 (which was 461,723 gallons  
10 per day), over this period.

11 Finally, I believe that KWRU will likely be able to sell additional amounts of  
12 reuse water as soon as its new wastewater treatment plant comes on-line. My  
13 best estimate of such additional sales is approximately an additional 9-10 million  
14 gallons in 2017 and an additional 5.8 million gallons per year (over and above the  
15 increase of 9-10 million gallons for 2017) on an ongoing basis in 2018 and  
16 beyond based on the anticipated completion of the Bernstein Park  
17 redevelopment in summer of 2017 and its use of reclaimed water for irrigation.

18  
19 **STOCK ISLAND AND KWRU'S SYSTEM**

20 **Q. PLEASE DESCRIBE STOCK ISLAND, ITS POPULATION AND DEMOGRAPHIC**  
21 **CHARACTERISTICS, ITS STATE OF DEVELOPMENT, DEVELOPMENT PROSPECTS,**

1           **AND OTHER CHARACTERISTICS THAT ARE PERTINENT TO THE DEMAND FOR**  
2           **WASTEWATER TREATMENT SERVICE ON STOCK ISLAND.**

3           A.     Stock Island is an island immediately east or northeast of Key West as one heads  
4           toward mainland Florida. Please see Exhibit KGW-3 to my testimony, which is an  
5           aerial photograph of Stock Island.

6                     U.S. 1 divides Stock Island into what are commonly referred to as “North  
7           Stock Island” and “South Stock Island.” North Stock Island is part of the City of  
8           Key West, and is generally characterized by upscale development, including a  
9           golf course at the Key West Golf Club, and institutional facilities. The  
10          institutional facilities include Florida Keys Community College, the Lower Keys  
11          Medical Center, the Tennessee Williams Theatre, the Monroe County Sheriff’s  
12          office, jail and Juvenile Detention Center, and others.

13                    South Stock Island, on the other hand, is part of unincorporated Monroe  
14          County. South Stock Island is also a “census-designated place” (“CDP”) for which  
15          the U.S. Census Bureau collects and reports demographic data. The population  
16          of the Stock Island CDP was 3,807 in the 2010 U.S. Census, with 1,658 housing  
17          units at that time.

18                    In comparison to North Stock Island, residences on South Stock Island have  
19          until recently generally been small single family homes, mobile homes,  
20          manufactured housing, apartments, condominiums, and marinas. Each boat slip  
21          at most or all of the marinas is required to have sewerage service. The

1 commercial or general service facilities on South Stock Island include fishing and  
2 other maritime businesses, general commercial and light industrial  
3 establishments, including KWRU's wastewater treatment plant, boat repair and  
4 other maritime industrial facilities, and similar businesses. Although it may not  
5 be clear from the aerial photo in Exhibit KGW-3, many of the single family  
6 residences on South Stock Island are very small, which is indicative of the  
7 generally lower-income status of most of the population on South Stock Island.

8 Exhibit KGW-4 to my testimony is information from the 2010 U.S. Census  
9 data. The column marked "SSI & Key Haven" shows population information for  
10 the entire census tract 9718, which includes both South Stock Island and Key  
11 Haven. Key Haven is an upscale community north of South Stock Island (across  
12 U.S. 1) and slightly to the east. The four columns on the right show the  
13 breakdown between South Stock Island and Key Haven. The chart shows that  
14 South Stock Island has a much higher occupancy rate and a much higher  
15 percentage of renters than the rest of the Lower Keys. (The Lower Keys are  
16 those islands from Key West to Big Pine Key, inclusive; the Keys northeast from  
17 Big Pine are referred to as the Middle Keys.)

18 Attached as Exhibit KGW-5 to my testimony is information about the Stock  
19 Island CDP from the 2010-2014 American Community Survey, 5 Year Estimates.  
20 The median household income on South Stock Island is \$41,799 and the median  
21 housing value is \$236,700. On South Stock Island, 17.2% of the population lives

1 below the poverty level, compared to 12.6% in the City of Key West and 13.9% in  
2 Monroe County as a whole. By way of contrast, the median household income in  
3 the City of Key West is \$54,306, and the median housing value is \$430,900 (82%  
4 higher than the Stock Island CDP).

5  
6 **Q. PLEASE DESCRIBE MONROE COUNTY'S FACILITIES ON STOCK ISLAND AND THEIR**  
7 **USAGE OF WASTEWATER TREATMENT SERVICE AND REUSE WATER PROVIDED**  
8 **BY KWRU.**

9 A. To the best of my knowledge, Monroe County is KWRU's largest customer by  
10 volume of wastewater treatment service purchased and by revenues. Major  
11 County facilities served by KWRU include the Monroe County Sheriff's Office;  
12 Monroe County Detention Center (commonly known as the Monroe County Jail)  
13 and Juvenile Detention Center; Bayshore Manor (a County-owned and operated  
14 Assisted Living Facility); the Stock Island fire station, and the Society for the  
15 Prevention of Cruelty to Animals (SPCA) animal shelter. The Monroe County  
16 School District also operates the Gerald Adams Elementary School on North  
17 Stock Island.

18 In addition to wastewater service, Monroe County also purchases substantial  
19 amounts of reuse water from KWRU, primarily for use at the Monroe County Jail  
20 and Juvenile Detention Center. The County purchased approximately 830,000  
21 gallons of reuse water in the last four (4) months of 2014, approximately 3.9

1 million gallons of reuse water in 2015, and approximately 3.2 million gallons of  
2 reuse water in the first seven (7) months of 2016. I expect that total County  
3 reuse water purchases in 2016 will be between 5 and 6 million gallons, and that  
4 this figure will increase substantially as soon as additional reuse water is  
5 available from KWRU's new WWTP.

6  
7 **Q. PLEASE DESCRIBE THE NATURE OF THE COUNTY'S CONTRACTUAL**  
8 **RELATIONSHIPS WITH KWRU.**

9 A. Beginning in 2001, with the 2001 Utility Agreement, the County entered into a  
10 series of contracts with KWRU to pay for design and construction of KWRU's  
11 wastewater system on South Stock Island. KWRU is and at all times relevant has  
12 been the only wastewater utility serving South Stock Island. The County's  
13 objective in entering into these agreements was to expedite connection of  
14 properties to the central wastewater system, in order to comply with Chapter  
15 99-395, Laws of Florida. Section 6 of that law required all sewage treatment  
16 and disposal facilities and all onsite sewage treatment and disposal systems  
17 (defined to include cesspits and septic tanks) in Monroe County to cease  
18 discharge and comply with applicable FDEP or Florida Department of Health  
19 ("FDOH") treatment requirements by **June 30, 2010**. Ch. 99-395 was  
20 subsequently codified in Section 403.086 of the Florida Statutes. As of 2010,  
21 that statute, as amended since 1999, required – and *requires* – all wastewater

1 collection, treatment and disposal facilities in any portion of the County  
2 designated as a "hot spot" in the County's Sanitary Master Wastewater Plan  
3 dated June 2000 to be completed by **December 31, 2015**. A copy of Exhibit 6-1  
4 from the Sanitary Master Wastewater Plan showing Stock Island to be  
5 designated as a "hot spot" is attached to this testimony as Exhibit KGW-6. Thus,  
6 the County's objective in entering into the series of contracts with KWRU was to  
7 facilitate the completion of the wastewater system and connection of  
8 properties within the KWRU's boundaries to its system.

9 In 2002, the County entered into a Capacity Reservation and Infrastructure  
10 Contract with KWRU, dated July 31, 2002 (the "2002 CRI Contract"). In this  
11 agreement, the County agreed to pay up to \$4.6 million to KWRU in monthly  
12 installments. In return, the County received 1,500 Equivalent Dwelling Units of  
13 capacity. The agreement also provided that KWRU would collect capacity  
14 reservation fees from the customers who were signing up, at \$2,700 per  
15 capacity reservation fee ("CRF," also commonly referred to as Service  
16 Availability Charges and Plant Capacity Charges), and would turn the CRFs over  
17 to the County to repay the funds.

18 However, the 2002 CRI Contract also provides that KWRU agreed to convert  
19 its system to AWT standards by January 1, 2007 if requested, and if it did so, the  
20 cost of conversion would be paid by allowing KWRU to keep \$600 out of each  
21 CRF that it collected. On December 18, 2002, the County passed a resolution

1 officially requesting the utility to convert to AWT. On June 21, 2006, the Board  
2 of County Commissioners approved the payment of \$707,000 to KWRU as a  
3 lump sum payment, in lieu of requiring KWRU to take \$600 out of each CRF as it  
4 was collected.

5 In addition to the above, on January 15, 2003, the County entered into an  
6 agreement whereby it paid KWRU a further \$134,822 as additional financial  
7 support for construction of the South Stock Island sewer system.

8 Also, in April 2013, KWRU filed a Complaint before the Public Service  
9 Commission (Docket No. 130086-SU), in which KWRU requested a declaratory  
10 statement regarding whether KWRU was entitled to collect capacity reservation  
11 fees from the County for 220.27 ERCs in excess capacity used by the County, as  
12 provided in the 2001 agreement, and whether KWRU was entitled to collect  
13 construction costs (that had been disallowed by the County's Clerk). I was  
14 actively involved in the case. In December 2013, the parties agreed to settle the  
15 case. The County paid \$500,000 to KWRU to settle claims filed by KWRU in  
16 Public Service Commission Docket No. 130086-SU. In the settlement, the  
17 parties agreed that the payment included payment for 220.27 additional  
18 Equivalent Residential Connections.

19 Including all of the above, our records show that the County has paid a total  
20 of \$6.3 million to KWRU in capacity reservation fees and construction costs.

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**Q. PLEASE SUMMARIZE YOUR KNOWLEDGE OF KWRU'S SYSTEM ON STOCK ISLAND.**

A. I'm most familiar with the vacuum collection system commissioned in 2002 by the County but have some general knowledge about the layout and components of KWRU's entire system. The KWRU system is comprised of a single wastewater treatment plant located on Front Street on South Stock Island, collection systems on both North and South Stock Island, and a water reuse supply system from the wastewater treatment plant to reuse water customers. The collection system on South Stock Island utilizes gravity, vacuum, and force mains. The gravity collection system on South Stock Island is comprised partially of the neighborhood known as Lincoln Gardens plus several other streets on the northwest side of South Stock Island. The vacuum system serves most of the northeast and southeast portions of South Stock Island. Several properties on South Stock Island are served by force mains including properties known as Boyd's Campground, Roy's Trailer Park, Sloan's Landing, and several other properties. A force main system delivers wastewater from North Stock Island to the treatment plant. The water reuse system provides treated reclaimed water to several users on North Stock Island, including the Monroe county Jail and the golf course.

1 KWRU is presently constructing a new wastewater treatment plant ("New  
2 WWTP") that is expected to add 350,000 gallons per day of treatment capacity  
3 to its system. If completed as projected, the New WWTP will bring KWRU's total  
4 treatment capacity to 849,000 gallons per day. KWRU representatives have  
5 stated to me that the New WWTP is scheduled to come on-line in March 2017.  
6

7 **Q. WHEN WAS KWRU OBLIGATED TO MEET ADVANCED WASTEWATER**  
8 **TREATMENT STANDARDS?**

9 A. As noted previously by the Public Service Commission in the utility's last  
10 application for a rate increase, in 2002 the County and KWRU agreed (in the  
11 2002 CRI Contract) that KWRU would convert its system to AWT standards by  
12 January 1, 2007. (This is reflected at page 4 of the PSC's Order No. 09-0057-FOF-  
13 SU, titled "Final Order Requiring Partial Refund and Granting In Part and Denying  
14 In Part Wastewater Rate Increase," issued by the PSC in Docket No. 070293-SU  
15 on January 27, 2009. The County did not intervene in the 2007 rate case.) In or  
16 about June 2006, the County paid approximately \$707,000 to KWRU to expedite  
17 the conversion.

18 In the utility's last (2007) rate case, the utility applied for a rate increase and  
19 increases were approved in part based on the representation of the utility's  
20 President that rate increases were necessary as a result of increased operating  
21 costs related to advanced wastewater treatment that was already underway and

1 was expected to go online, on October 1, 2007. This is shown at pages 1 and 4-6  
2 of the Direct Testimony of William L. Smith, submitted as Exhibit F to KWRU's  
3 Application for Increase in Rates in Monroe County, in PSC Docket No. 070293-  
4 SU, also identified as PSC Document No. 07-06672 on the Commission's website.

5 We were informed by Chris Johnson of KWRU that the utility started operating  
6 to AWT standards in November or December 2015.

7  
8 **Q. WHAT IS YOUR UNDERSTANDING OF THE PERMIT THAT WAS RECENTLY ISSUED**  
9 **TO KWRU BY THE FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION,**  
10 **DOMESTIC WASTEWATER TREATMENT PLANT PERMIT FLA014951-012-DWIP**  
11 **AND UIC PERMITS 18490-020 AND -021, WITH RESPECT TO THE CHANGE TO**  
12 **PERMITTED CAPACITY OF THE PLANT?**

13 A. The permit allows KWRU to increase its permitted capacity from 499,000 gallons  
14 per day to 849,000 gallons per day (average annual daily flow).

15  
16 **Q. HOW DOES THAT TRANSLATE TO EQUIVALENT RESIDENTIAL UNITS?**

17 A. Using an equivalency factor of 167 gallons/day/EDU, this total capacity would  
18 equate to 5,083.8 EDUs or ERCs.

19 Monroe County Code section 20-102, which applies to all wastewater utilities  
20 operating in Monroe County, defines an equivalent dwelling unit as 167 gallons  
21 per day and a recreational vehicle unit as 75 gallons per day. The ordinance also

1 states that an equivalent dwelling unit (EDU) is equivalent to an equivalent  
2 residential connection (ERC). A copy of the Monroe County Code section 20-102  
3 is attached to this testimony as Exhibit KGW-7. So the wastewater flow for a  
4 single family residence is calculated using 167 gallons per day. This figure was  
5 also used by Monroe County in its 2000 Wastewater Master Plan.

6 I note however that the utility has used the figure of 205 gallons per day in  
7 its testimony. Using this figure, total treatment capacity equates to 4,141.5 ERCs  
8 at the rate of 205 gal/day/ERC. Page S-13 of KWRU's 2015 Annual Report to the  
9 PSC states that KWRU can presently serve 3,300 ERCs and that it will be able to  
10 serve 6,071 ERCs "upon service area buildout."

11

12 **Q. WHAT IS YOUR UNDERSTANDING AS TO WHEN KWRU'S EXPANDED CAPACITY**  
13 **IS SCHEDULED TO COME ON-LINE?**

14 A. Bart Smith and Chris Johnson of KWRU have advised me and other County  
15 personnel that the expansion of the treatment plant will come on-line in March  
16 2017. The utility also uses this date in its 2015 Annual Report.

17

18 **Q. HOW MANY EXISTING RESIDENTIAL UNITS ARE THERE ON STOCK ISLAND? TO**  
19 **THE EXTENT POSSIBLE, PLEASE IDENTIFY THE DIFFERENT TYPES OF RESIDENTIAL**  
20 **UNITS ON STOCK ISLAND.**

1 A. All of the KWRU customers receive their water from Florida Keys Aqueduct  
2 Authority (FKAA). FKAA reports 1,857 total accounts on Stock Island as of  
3 9/12/2016. Of these, 1,656 are residential accounts (1,923 units) and 201 are  
4 non-residential, which includes commercial and marinas. Monroe County  
5 Property Appraiser records show that of the 1,923 residential units, 811 are  
6 single family residences, 344 are marinas (including boat slips), 347 are mobile  
7 homes, and the remainder (421) are condominiums and multi-family housing.

8

9 **Q. HOW MANY OF THESE EXISTING RESIDENTIAL UNITS ARE CURRENTLY**  
10 **ACTUALLY CONNECTED TO KWRU'S SYSTEM?**

11 A. Based on information provided in KWRU's 2015 Annual Report to the Florida  
12 Public Service Commission, KWRU had 1,644 residential customers and 177  
13 commercial customers as of December 31, 2015. Therefore, I conclude that  
14 there were approximately 1,644 residential units receiving wastewater  
15 treatment service from KWRU as of that date.

16 For perspective, in 2014, KWRU submitted information in a permit challenge  
17 case filed in the Division of Administrative Hearings, stating that it had 1,416  
18 residential customers and 216 commercial customers. See Recommended  
19 Order, *Last Stand v. KW Resort Utilities Corp. et al.*, State of Florida Div. of  
20 Admin. Hearings, DOAH Case No. 14-5302 (Jan. 15, 2016), ¶ 14. KWRU's 2014  
21 Annual Report filed with the PSC showed 1,598 residential customers as of

1 December 31, 2015. Therefore, clearly residential customer accounts have  
2 grown since December 31, 2014.

3

4 **Q. FROM THE ABOVE INFORMATION, IS IT CORRECT THAT THERE ARE**  
5 **APPROXIMATELY 300 EDUs (ON 24 PARCELS) WITHIN KWRU'S SERVICE AREA**  
6 **THAT ARE NOT ACTUALLY CONNECTED TO KWRU'S SYSTEM?**

7 A. Yes.

8

9 **Q. AND IS IT ALSO CORRECT THAT THESE RESIDENTIAL UNITS HAVE BEEN**  
10 **REQUIRED TO BE CONNECTED TO KWRU'S SYSTEM SINCE DECEMBER 31, 2015?**  
11 **IF SO, HOW MUCH ADDITIONAL WASTEWATER SERVICE CAN THESE**  
12 **RESIDENTIAL UNITS BE EXPECTED TO REQUIRE FROM KWRU?**

13 A. Yes, this is correct. Using the Utility's standard value of 205 gallons per day per  
14 ERC, this would translate to approximately 15.0 million gallons per year; using  
15 the alternate value of 167 GPD per ERC would translate to approximately 12.2  
16 million gallons per year.

17

18 **Q. DO YOU HAVE AN OPINION AS TO WHEN IT IS REASONABLY LIKELY THAT THESE**  
19 **CUSTOMERS WILL ACTUALLY BE CONNECTED TO AND RECEIVING SERVICE**  
20 **FROM KWRU'S WASTEWATER SYSTEM?**

1 A. Yes. Considering that this is a mandate pursuant to State statutes, my opinion is  
2 that these customers will be connected as soon as is reasonably practical  
3 following the in-service date of KWRU's new treatment plant. If KWRU's  
4 projected in-service date of March 2017 for its new treatment plant is accurate, I  
5 would expect that the vast majority of these customers should be connected and  
6 receiving service by the end of June 2017, and that all or virtually all (more than  
7 95 percent) of them should be receiving service by the end of September 2017.

8

9 **Q. HOW MANY EXISTING COMMERCIAL ESTABLISHMENTS ARE THERE ON STOCK**  
10 **ISLAND?**

11 A. Florida Keys Aqueduct Authority (FKAA) supplies water to all residential and non-  
12 residential consumers on Stock Island. FKAA reports 1,857 total accounts on  
13 Stock Island as of September 12, 2016. Of these, 201 are non-residential, which  
14 includes commercial and marinas.

15

16 **Q. HOW MANY OF THESE EXISTING COMMERCIAL UNITS ARE ACTUALLY**  
17 **CONNECTED TO KWRU'S SYSTEM?**

18 A. Based on information provided in KWRU's 2015 Annual Report to the Florida  
19 Public Service Commission, KWRU had 177 general service customers as of  
20 December 31, 2015. See Exhibit KGW-8, which lists the number of general  
21 service customers by meter size. Therefore, I conclude that there were

1 approximately 177 commercial establishments receiving wastewater treatment  
2 service from KWRU as of that date.

3

4 **Q. FROM THE ABOVE INFORMATION, IS IT CORRECT THAT THERE ARE**  
5 **APPROXIMATELY 24 COMMERCIAL BUSINESSES WITHIN KWRU'S SERVICE AREA**  
6 **THAT ARE NOT ACTUALLY CONNECTED TO KWRU'S SYSTEM?**

7 A. Yes.

8

9 **Q. PLEASE DESCRIBE AND EXPLAIN ANY LEGAL OR REGULATORY REQUIREMENTS**  
10 **FOR EXISTING RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL WATER USERS**  
11 **THAT ARE NOT PRESENTLY CONNECTED TO KWRU'S SYSTEM TO BE**  
12 **CONNECTED? PLEASE BE AS SPECIFIC AS POSSIBLE.**

13 A. For purposes of this discussion, it is important to understand that Stock Island is  
14 in the Florida Keys, which is an "Area of Critical State Concern" designated by the  
15 Florida Legislature. It is also important to recognize that the requirements to  
16 connect to KWRU's system apply not only to new residential customers and  
17 businesses, but also to existing customers and businesses. Section  
18 403.086(10)(b), Florida Statutes, which Monroe County is responsible for  
19 implementing, requires that the County, as well as all municipalities and special  
20 sewage districts in Monroe County "shall complete the wastewater collection,  
21 treatment, and disposal facilities within its jurisdiction designated as hot spots in

1 the Monroe County Sanitary Master Wastewater Plan, dated June 2000,” and  
2 that the “required facilities and connections, and any additional facilities or  
3 other adjustments required by rules adopted by the Administration Commission  
4 under s. 380.0552, must be completed by December 31, 2015.”

5 In the referenced Monroe County Sanitary Master Wastewater Plan, the  
6 “Unsewered K.W. Resort Utility Resort Area” is the highest ranked “hot spot” in  
7 the Lower Keys area and the number-3-ranked hot spot for the entire Florida  
8 Keys. Exhibit KGW-6 to my testimony is a copy of EXHIBIT 6-1 to that Plan, which  
9 is a listing of the hot spots in the Lower Florida Keys, with rankings by order of  
10 significance. Stock Island is the most critical area in the Lower Keys.

11  
12 **Q. WHEN ARE THOSE UNITS THAT ARE NOT PRESENTLY CONNECTED TO KWRU**  
13 **REQUIRED TO BE CONNECTED FOR WASTEWATER TREATMENT SERVICE?**

14 A. The applicable statutes and regulations require that ALL existing residential and  
15 general service establishments had to be connected to KWRU’s system as of  
16 December 31, 2015, i.e., more than eight months ago. This means that all of the  
17 residences and commercial establishments on Stock Island that are not presently  
18 connected to KWRU’s system must connect as soon as capacity exists to serve  
19 them, subject to KWRU completing each physical connection. In practical terms,  
20 I believe that all such facilities are required by County ordinance to be connected  
21 to KWRU’s system within 30 days following completion of KWRU’s new

1 treatment plant. Monroe County will take all reasonable and practicable steps  
2 to ensure compliance with the statutes and its Sanitary Master Wastewater Plan.  
3

4 **Q. ARE THERE SIMILAR REQUIREMENTS THAT APPLY TO NEW AND EXPANDED**  
5 **RESIDENCES AND COMMERCIAL ESTABLISHMENTS IN KWRU'S SERVICE AREA?**

6 A. Yes. Section 403.086(10)(c), Florida Statutes, requires that "After December 31,  
7 2015, all new or expanded domestic wastewater discharges must comply with  
8 the treatment and disposal requirements" of the statute. In practical terms, this  
9 means that all new residences and commercial establishments on Stock Island  
10 must be connected to KWRU's system in order to obtain a certificate of  
11 occupancy.

12  
13 **Q. DOES MONROE COUNTY HAVE ANY PROGRAMS TO ASSIST EXISTING WATER**  
14 **USERS ON STOCK ISLAND IN GETTING CONNECTED TO KWRU'S SYSTEM? IF SO,**  
15 **PLEASE DESCRIBE THE COUNTY'S PROGRAMS AND EFFORTS IN THIS REGARD.**

16 A. Yes. The County "purchased" capacity for 1,500 EDUs via the Capacity  
17 Reservation and Infrastructure Contract dated July 31, 2002, between KWRU and  
18 the County (the "CRI Contract"). In the CRI Contract, the County agreed to pay  
19 KWRU up to \$4.6 million to fund a collection system to provide service to a wide  
20 area of South Stock Island. Construction of that collection system left some  
21 customers without a connection point. Additionally, in a separate agreement

1 with KWRU, the County agreed to pay KWRU approximately \$900,000 to fund  
2 conversion of its treatment plant to AWT. As of this date approximately 24  
3 properties representing a total of 200 EDUs are not able to connect because  
4 KWRU has advised that it is already at full capacity under their current FDEP  
5 permit.

6  
7 **Q. PLEASE TELL THE PUBLIC SERVICE COMMISSION AS MUCH AS YOU CAN**  
8 **CONCERNING PROPERTIES THAT HAVE CONNECTED TO KWRU'S SYSTEM AFTER**  
9 **APRIL 1, 2016, AND THAT ARE LIKELY TO CONNECT TO KWRU'S SYSTEM BEFORE**  
10 **MARCH 31, 2018. PLEASE BE AS SPECIFIC AS POSSIBLE.**

11 A. Based on information available to me, including my review of records for  
12 building permits and development on North Stock Island, through the City of Key  
13 West, and South Stock Island, through the County, my review of Edward Castle's  
14 direct testimony filed in this case, and my personal knowledge of the Stock Island  
15 area, I believe that the following additional customers either recently have  
16 connected to the KWRU system or are likely to begin taking wastewater  
17 treatment service from KWRU in the near future.

18 **North Stock Island**

19 On North Stock Island, there are four building projects that are underway.  
20 They are expected to add a total of approximately 63,250 gpd (374 ERCs)

1 between now and 2017; I expect the majority of this additional gallonage to be  
2 flowing and treated by the end of June 2017.

3 First, Sunset Marina has received approval from the City of Key West to add  
4 60 units. According to Mr. Castle's direct testimony filed in this case and an  
5 appraisal report dated January 2015 commissioned by KWRU, the Sunset Marina  
6 project will add approximately 15,000 gpd or 155 ERCs. (A copy of the relevant  
7 page from the appraisal report is filed with my testimony as Exhibit KGW-9.)

8 Second, Florida Keys Community College recently received approval from the  
9 Florida Legislature in the Spring 2016 session to add 200 additional beds,  
10 reflecting 200 additional residents at the college. This was reported at the  
11 following site/link:

12 <http://www.flkeysnews.com/news/local/education/article79623897.html>. This  
13 could add up to 41,000 gpd or 200 ERCs, depending on the way in which the  
14 utility calculates the addition of the 200 people.

15 In addition, the Monroe County School District has planned an expansion of  
16 the Gerald Adams Elementary School on North Stock Island. In the short term,  
17 the District is increasing its enrollment from 700 students and faculty to 770.  
18 Using Rule 64E-6.008, Florida Administrative Code ("F.A.C.") to estimate sewage  
19 flow for day schools, that would result in an increase of 4.8 additional ERCs (70  
20 additional persons x 14 gallons per day for each student with cafeteria divided by  
21 205 gallons per day = 4.8). The District also plans to add another building in the

1 future, possibly in 2018, which will bring the total enrollment to 950. Using the  
2 same equation, that would result in a further increase of 12.3 EDUs ( $950-770=$   
3  $180$  students,  $(180 \times 14 \text{ gpd})/205=12.3$  ERCs), for a total of 3,500 gpd.

4 The Florida Keys SPCA is also in the process of building a new animal shelter  
5 on North Stock Island, which could generate as much as 3,750 gpd (15 -22 ERCs  
6 depending on how the flow is calculated). If the shelter is assessed as a business  
7 occupancy, the building is 24,915 square feet. Using Rule 64E-6.008, F.A.C.,  
8 office buildings are estimated as 15 gpd/100SF. This building would therefore be  
9 estimated to generate 3,750 gpd which equates to 18.3 ERCs or 22.5 ERCs (using,  
10 respectively, 205 or 167 gpd/ERC). Alternatively, if this shelter is assessed as a  
11 veterinary clinic, it would generate 2,550 gpd. The plans contain 120  
12 kennels/cages which, using Rule 64E-6.008, F.A.C., generate an estimate 2,400  
13 gpd of wastewater, which equates to 11.7 ERC at 205 gpd, or 14.4 ERCs at 167  
14 gpd/ERC. In addition, there are 10 employee shifts at 15 gpd/shift, generating an  
15 additional 150 gpd or 1 ERC. From this is subtracted the existing shelter at  
16 1085.5 gpd, or 6.5 ERCs, for a net of 1,464 gpd.

17 The City of Key West is also in the process of implementing zoning changes  
18 that would allow the addition to up to 80 additional units (80 ERCs) on an  
19 existing property that currently houses Easter Seals, Mosquito Control, and the  
20 SPCA animal shelter. However, we do not expect that increase to occur until at  
21 least 2019.

1            **South Stock Island**

2            As mentioned above, South Stock Island is part of unincorporated Monroe  
3            County. Therefore, all requests for building permits and development approvals  
4            go through the Monroe County Building Department and the Monroe County  
5            Planning Department. I have reviewed the records provided to me by the  
6            Planning Director, and based on that review, I offer the following information.

7            There are also currently four large development projects in the pipeline on  
8            South Stock Island, cumulatively expected to add at least 87,810 gallons per day  
9            (901 ERCs). Mr. Castle’s direct testimony filed in this case appears to state that  
10           all four projects had begun operating in 2014 and 2015. However, as shown  
11           below, all four are in some phase of construction and are expected to come  
12           online and add the majority of their additional ERCs sometime during 2016 or  
13           2017.

14           The first is a large property owned by the Benjamin Bernstein Trust. In  
15           August 2015, the owners received approval from the Board of County  
16           Commissioners for redevelopment of the property, to include a 122 room hotel,  
17           a restaurant with up to 150 seats and a market, a marina, and 40,000 sq. feet of  
18           non-residential development. According to Mr. Castle’s testimony and an  
19           appraisal report dated January 2015 commissioned by KWRU, the Bernstein  
20           project will add 30,000 gpd or 310 ERCs. I expect the substantial majority of this  
21           wastewater to be flowing by early to mid-2017.

1           In addition, Oceanside Investors, LLC and two related entities with common  
2 owners, Oceanside West Slip LLC, Oceanside 104 LLC (collectively referred to here as  
3 “Oceanside”) own or have recently purchased a total of 57 parcels on South  
4 Stock Island. In 2015, Oceanside Investors, LLC received development approval  
5 for a project on Peninsular Ave., to improve a marina’s facilities, construct 78  
6 new market rate residential dwelling units, construct 4 hotel rooms, and  
7 construct a restaurant with up to 150 seats. Oceanside Marina is currently under  
8 construction and will be occupied probably in January 2017. In addition to what  
9 Mr. Castle stated in his testimony, the project also includes wet slips and dry  
10 slips. According to Mr. Castle’s testimony and the appraisal report  
11 commissioned by KWRU, the project will add approximately 26,125 gpd or 271  
12 ERCs.

13           Third, in 2015, Longstock II, LLC received approval from the County to  
14 develop the Stock Island Marina Village by adding a 100-room hotel with a 192-  
15 seat restaurant and tiki bar. DEP permit 63485-066-DWC/CM issued for the  
16 project included three bath houses; a fuel service building; 130 wet slips; a green  
17 building; an engine building; a Keytex building; 100 hotel rooms; a 142 seat  
18 restaurant and a 50 seat tiki bar (“pool bar”). According to Mr. Castle’s  
19 testimony and an appraisal report dated January 2015 commissioned by KWRU,  
20 the Stock Island Marina Village project will add 313 ERCs. The reconfiguration of  
21 the docks and wet slips and bathhouses for liveboards was done at least a year

1 ago, but the hotel and restaurant are under construction. The estimated date  
2 for completion is early to mid-2017. The Stock Island Marina Village project is  
3 expected to add 30,250 gpd above 2014 levels.

4 Fourth, the County is in the process of developing Bernstein Park. The park is  
5 located in the middle of South Stock Island. The park is expected to add 7 ERCs  
6 once completed, which is expected to be in 2017. The park is expected to add  
7 1,435 gpd.

8 In addition, there are 72.77 existing commercial ERCs on South Stock Island  
9 that have not or cannot yet connect to the central system. These represent an  
10 additional 14,918 gpd of wastewater flow that could connect immediately were  
11 capacity available.

12 Finally, there are at least 40 acres of vacant or underdeveloped property.  
13 However, I have not included these in the calculation.

14 In other words, the eight projects are expected to generate a total of 151,060  
15 gpd and existing unconnected commercial properties that generate 14,918 gpd.  
16 Based on the utility's statement (in its 2015 Annual Report) that it has used all of  
17 its existing capacity, I expect that the majority of the additional volume will come  
18 online once the plant expansion is complete. If that is the case, these will add  
19 165,978 gpd to existing treated wastewater flow in 2017, which will represent a  
20 36% increase in volume.

1           The KWRU 2015 Annual Report (page S-7) shows that in 2015, the utility  
2           collected \$310,187 in contributions in aid of construction. Thus, in 2015, the  
3           utility collected 114.8 ERCs in new capacity reservation fees in that year, beyond  
4           the historic test year.

5  
6           **Q. PLEASE PROVIDE ANY INFORMATION AVAILABLE TO YOU REGARDING**  
7           **EXISTING COMMERCIAL AND INDUSTRIAL CUSTOMERS THAT ARE REQUIRED**  
8           **TO CONNECT TO KWRU'S SYSTEM, INCLUDING ANY INFORMATION YOU HAVE**  
9           **REGARDING THE TIMING OF THOSE CONNECTIONS.**

10          A. Existing commercial and industrial service customers, who are designated  
11          "General Service" customers under KWRU's tariffs, are subject to the same  
12          statutory and regulatory mandate as residential customers; that is, they were  
13          also required to be connected to KWRU's system by the end of last year. Those  
14          that have not yet connected are subject to being required to connect, and  
15          should connect, as soon as possible after KWRU's new WWTP comes on line,  
16          again limited only by the utility's ability to complete the physical connections. As  
17          stated above, comparing FCAA's and KWRU's information indicates that there  
18          are approximately 24 unconnected commercial customers that will require  
19          connection as soon as possible pursuant to the statutory mandate, and these are  
20          projected to use approximately 14,918 gpd of service.

21

1       **Q.     PLEASE TELL THE PUBLIC SERVICE COMMISSION AS MUCH AS YOU CAN**  
2           **CONCERNING PROJECTED OTHER NEW COMMERCIAL OR INDUSTRIAL**  
3           **ESTABLISHMENTS THAT HAVE CONNECTED TO KWRU’S SYSTEM AFTER APRIL 1,**  
4           **2016, AND THAT ARE LIKELY TO CONNECT TO KWRU’S SYSTEM BEFORE MARCH**  
5           **31, 2018. PLEASE BE AS SPECIFIC AS POSSIBLE.**

6       A.     In the last months, the City of Key West’s new transportation maintenance  
7           facility opened on North Stock Island. I assume it is connected to KWRU. The  
8           only other new commercial facilities of which I am aware are those referenced  
9           above. These include, on North Stock Island, the school expansion, the addition  
10          of a new Animal Control facility, and expansion of Sunset Marina. On South  
11          Stock Island, there are the hotel, commercial space, and restaurant components  
12          of the Longstock, Oceanside Marina, and the Bernstein Trust developments, and  
13          the County’s Bernstein Park.

14  
15       **Q.     WHAT IS THE GENERAL OUTLOOK FOR ECONOMIC GROWTH AND ADDITIONAL**  
16           **DEVELOPMENT ON STOCK ISLAND, AND WHAT, IF ANYTHING, DOES THIS IMPLY**  
17           **FOR GROWTH IN THE AMOUNT OF WASTEWATER TREATMENT SERVICE THAT**  
18           **KWRU CAN REASONABLY BE EXPECTED TO PROVIDE?**

19       A.     This is difficult to predict but the recent trend has been for additional  
20           development of high-end transient or condominium development.

21

1 Q. ARE YOU AWARE OF ANY SIGNIFICANT EVENTS OR EXPECTED EVENTS, E.G.,  
2 BUSINESS CLOSINGS OR DEMOLITIONS OF SIGNIFICANT NUMBERS OF  
3 RESIDENTIAL UNITS, THAT WOULD BE EXPECTED TO REDUCE THE DEMAND FOR  
4 WASTEWATER TREATMENT SERVICE PROVIDED BY KWRU IN 2016, 2017, AND  
5 2018?

6 A. No, I am not aware of any such demand-dampening events either having  
7 occurred or expected to occur over this time period. Recent trends suggest the  
8 opposite with increased development, especially on South Stock Island.

9

10 **IMPACTS ON KWRU'S WASTEWATER TREATMENT VOLUMES**

11 Q. TAKING INTO CONSIDERATION ALL OF THE FOREGOING INFORMATION  
12 REGARDING THE NUMBER OF EXISTING RESIDENTIAL AND GENERAL SERVICE  
13 CUSTOMERS THAT WILL BE REQUIRED TO CONNECT TO KWRU'S SYSTEM WHEN  
14 THE NEW TREATMENT PLANT COMES ON-LINE, AND ALSO TAKING INTO  
15 CONSIDERATION THE PROJECTED NUMBERS OF NEW RESIDENTIAL AND  
16 GENERAL SERVICE CUSTOMERS THAT HAVE CONNECTED TO KWRU'S SYSTEM  
17 SINCE APRIL 1, 2016, WHAT INCREASES IN KWRU'S TREATMENT VOLUMES DO  
18 YOU BELIEVE ARE REASONABLE?

19 A. First, I believe that it is important to establish the baseline of KWRU's usage for  
20 2015. According to its 2015 Annual Report, KWRU treated 168,529,000 gallons,  
21 of which 84,168,400 were residential. This is particularly important because the

1 Public Service Commission is considering setting rates for the period beginning  
2 April 1, 2016, and continuing until the date on which the new wastewater  
3 treatment plant comes on-line, and then considering different rates to take  
4 effect when the new plant comes on-line. At least as a matter of common sense,  
5 it strikes me that the rates charged by KWRU should be based on the amounts of  
6 service provided and charged for during the same time periods that costs are  
7 incurred to provide that service.

8 With that foundation, I believe that KWRU will serve approximately 1,644  
9 residential customers between April 1, 2016 and March 31, 2017, and that those  
10 residential customers will use or receive approximately 84,168,400 gallons of  
11 wastewater treatment service during that period. I further estimate that KWRU  
12 will serve approximately 1,938 residential customers between April 1, 2017 and  
13 March 31, 2018, and that those residential customers will use or receive  
14 approximately 99,219,786 gallons of wastewater treatment service during that  
15 period. I have chosen these periods because KWRU projects that its new  
16 wastewater treatment plant is expected to come on-line in March or April of  
17 2017. That table is Exhibit KGW-10 to my testimony.

18 Additionally, I believe that KWRU will serve approximately 177 general  
19 service customers between April 1, 2016 and March 31, 2017, and that those  
20 customers will use or receive approximately 84,360,600 gallons of wastewater  
21 treatment service during that period. I further estimate that KWRU will serve

1 approximately 201 general service customers between April 1, 2017 and March  
2 31, 2018, and that those customers will use or receive approximately  
3 144,942,515 gallons of wastewater treatment service during that period. These  
4 values are also shown in Exhibit KGW-10 to my testimony.

5  
6 **Q. IN THE PAA ORDER, THE COMMISSION PROPOSED TO DISCONTINUE THE**  
7 **COLLECTION OF PLANT CAPACITY CHARGES. DO YOU BELIEVE THAT THE UTILITY**  
8 **SHOULD CONTINUE TO COLLECT THIS CHARGE FROM FUTURE CUSTOMERS?**

9 A. Yes, I believe that the Utility should continue to collect the \$2,700 per ERC Plant  
10 Capacity Charge, which is a contribution in aid of construction ("CIAC") toward  
11 the cost of KWRU's physical plant. In the PAA Order, the Commission stated that  
12 although the Utility did not request a change in its service availability policy or  
13 charges, the Commission was concerned that the Utility's contribution level,  
14 which as I understand it is basically the ratio of CIAC to plant cost balances for  
15 2014 was in excess of 100 percent.

16 I disagree that KW's plant capacity charge should be discontinued. In the  
17 first instance, KWRU is proposing to add millions of dollars of new plant  
18 investment, including the costs of the new WWTP and the new Airvac vacuum  
19 tank, which will reduce the ratio of CIAC to plant investment. More significantly,  
20 as a customer and as the County's chief official with responsibility for  
21 wastewater treatment, discontinuing the collection of Plant Capacity Charges

1 will treat existing customers, who have paid the CIAC/Plant Capacity Charges,  
2 unfairly in that they will have paid for a substantial percentage of existing plant,  
3 through *their* payment of *their* \$2,700 CIAC/Plant Capacity Charges, and would  
4 then also be required to pay for a disproportionate percentage of new plant, as  
5 well, because the cost of the new WWTP and new Airvac vacuum tank would not  
6 be partially defrayed by CIAC payments from new customers, whose demand is  
7 causing KWRU to build the new WWTP and tank. Accordingly, in my view,  
8 allowing new customers not to pay CIACs/Plant Capacity Charges would not be  
9 fair, just, or reasonable.

10  
11 **Q. WHAT ADDITIONAL CAPACITY RESERVATION FEES WILL BE GENERATED BY THE**  
12 **ADDITIONAL CAPACITY?**

13 A. If all of the additional capacity is used, the estimated additional ERCs will be  
14 1707 ERCs, using a figure of 205 gpd ( $350,000/205=1707$ ), or 2095.8 ERCs, using  
15 a figure of 167 gpd ( $350,000/167=2095.8$ ). This would generate additional  
16 capacity reservation fees, or contributions in aid of construction, in the amount  
17 of \$4,608,900 - \$5,658,660.

18 **REUSE SERVICE**

19 **Q. PLEASE SUMMARIZE YOUR KNOWLEDGE OF THE VOLUMES OF REUSE SERVICE**  
20 **PROVIDED BY KWRU, INCLUDING ANY REUSE SERVICE PURCHASED BY**  
21 **MONROE COUNTY.**

1 A. According to its 2015 Annual Report, KWRU sold 36.192 million gallons of reuse  
2 water to the Key West Golf Course and another 1.683 million gallons in reuse to  
3 the Monroe County Detention Center, and collected approximately \$58,188 in  
4 revenues from those sales. According to County records, in 2015, Monroe  
5 County paid \$7,172.37 to KWRU for reuse services representing a billed total  
6 usage of approximately 3.9 million gallons. Through the first seven (7) months of  
7 2016 for which our records are accessible, the county has been billed \$4,217.07  
8 for 3.221 million gallons of reuse water.

9

10 **Q. DO YOU HAVE ANY INFORMATION REGARDING THE POTENTIAL EXPANSION OF**  
11 **REUSE WATER SERVICE THAT KWRU MAY BE ABLE TO SELL?**

12 A. When redevelopment of Bernstein Park is complete, it will include a system to  
13 use reuse water for irrigation. This project is expected to be completed in the  
14 summer of 2017. Forecast use of reuse water on a going basis is expected to be  
15 5.8 million gallons per year. In the first six (6) months following project  
16 completion in summer of 2017, this could be an annualized amount of 3-4 times  
17 that amount.

18

19 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

20 A. Yes.

21

## KEVIN G. WILSON

### I. PROFESSIONAL QUALIFICATIONS

- Registered Professional Engineer (P.E.) (Chemical Engineering) (OH, FL)
- Retired Army Reserve Officer (LTC; O-5) (Engineer & Chemical Officer; U.S. Army Command & General Staff Officer Course Instructor - 3 years - FT Shafter, HI)

### II. EMPLOYMENT HISTORY

#### **Monroe County Engineering/ Project Management/Public Works** (July 2006 - date)

(Assistant County Administrator, Public Works & Engineering since 2015)

- Senior engineering manager of the County (County Engineer)
- Management of County Public Works, Engineering, Solid Waste, & Fleet Operations
- Overall management of all County capital construction (buildings, sewer, roads, bridges)
- Primary County liaison with FKAA on sewer utility construction projects (\$200 million since 2012)

#### **Kevin G. Wilson, P.E.; Key Largo, FL 33037, U.S.A.** (January 2006 - July 2006)

Position: semi-retired

#### **Department of the Army; Oakton, VA, U.S.A.** (October 2003 - December 2005)

- Contract employee managing a medium size group of staff and contract employees.
- Established new mechanisms to identify locally hired contract employees in the Middle East.
- Completed a review and improvement of the information security practices of the office.
- Developed partnering relationships with other USG agencies working on projects in the Middle East

#### **Paul C. Rizzo Associates, GmbH; Vienna, Austria** (August 2000 – September 2003)

- Managed budget and work of three subordinate offices with 35 professional employees in four countries (Austria, Czech Republic, Romania, Russia)
- Developed and executed engineering projects in the Middle East (Egypt, Iraq), former Soviet countries (Russia, Ukraine, Georgia), and eastern European countries (Czech Republic, Hungary, Romania)
- Successfully assimilated ARD Environmental, GmbH operations into PCR Associates, GmbH.

#### **ARD Environmental, GmbH; Vienna, Austria** (March 1994 – August 2000)

- Set up and ran all aspects of an Austrian company to support employer's objectives in western Europe, eastern Europe, and former Soviet republics (Russia, Ukraine, Georgia).
- Implemented projects with nuclear industry facilities in the CIS countries (former Soviet Union) by establishing partnerships with local firms.

#### **Meridian Diagnostics, Inc.; Seoul, South Korea** (June 1989 - March 1994)

- Set up and ran the Company's first and only Asian office.
- Negotiated a joint venture in the People's Republic of China.
- Performed or supervised all aspects of corporate operations (budget, personnel, marketing) in Asian markets.

**Kevin G. Wilson**

page 2.

**Dalton & Associates; Miami, FL, U.S.A.**

**(January 1987 - June 1989)**

-Developed plans for international expansion of a diagnostic products manufacturer.

**Procter & Gamble Company; Cincinnati, OH, U.S.A.**

**(May 1970 - January 1987)**

- Developed a patented marketing technique that increased sales volume of Tide by five percent.
- Developed and implemented corporate-wide Total Quality Improvement training program.
- Negotiated environmental permits for four factories with federal environmental authorities.
- Developed NPDES permit system guidelines for the U.S. EPA and Congressional staff.
- Supervised various internal professional consultants.

### **Other Pertinent Experience**

#### **Non-compensated**

- Current President of the Port Largo Residential Property Owners' Association (Key Largo, FL).
- Member; Friends of Key Largo Cultural Center
- Treasurer, Finance Committee chairman, Audit Committee chairman, and Board member of the American International School - Vienna.
- Committee Chair - American Chamber of Commerce in Seoul

#### **Personal**

Born: New York, NY

Education: Carnegie-Mellon University; Pittsburgh, PA; B.S.ChE.

4 Children, 5 grandchildren

the lowest tide period of each day (once per day). The utility shall determine this six-hour period each day.

- c. *Testing equipment accuracy.* Accuracy for testing equipment shall be plus or minus one-half gallon of water leakage under specified conditions.
  - d. *Maximum allowable leakage.* The maximum allowable leakage shall be 0.16 gallon per hour per inch diameter per 100 feet.
- (3) *Ownership of system constructed by private property owner.* Where reasonable permanent and temporary easements are granted by the private property owner, the utility may take over the facilities within the permanent easement for ownership and for operation and maintenance. Facilities outside the permanent easement shall remain the responsibility of the private property owner.

(Code 1979, § 15.5-36; Ord. No. 028-2003, § 1)



Residential Parcels	
PC Code	
00	- Vacant Residential
01	- Single Family
02	- Mobile Home
03	- Multi-Family (More Than 10 Units)
04	- Condominium
08	- Multi-Family (Less Than 10 Units)



2010-2014 American Community Survey 5-Year Estimates

Stock Island CDP, Florida	
Median Household Income	<b>\$ 41,799</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>
Individuals below poverty level	<b>17.2 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Educational Attainment: Percent high school graduate or higher	<b>72.9 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Health Insurance Coverage: Percent uninsured	<b>50.0 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Median Housing Value	<b>\$ 236,700</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>
Total Housing Units	<b>1,717</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>

Monroe County, Florida	
2014 Population Estimate	<b>77,136</b> <i>Source: Vintage 2014 Population Estimates: County Total Population and Components of Change</i>
Median Household Income	<b>\$ 55,449</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>
Individuals below poverty level	<b>13.9 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Educational Attainment: Percent high school graduate or higher	<b>90.4 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Health Insurance Coverage: Percent uninsured	<b>25.3 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Median Housing Value	<b>\$ 379,700</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>
Total Housing Units	<b>52,861</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>

Key West city, Florida	
2014 Population Estimate	<b>25,704</b> <i>Source: Vintage 2014 Population Estimates: Subcounty Population Places and MCDs</i>
Median Household Income	<b>\$ 54,306</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>
Individuals below poverty level	<b>12.6 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Educational Attainment: Percent high school graduate or higher	<b>90.7 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Health Insurance Coverage: Percent uninsured	<b>28.4 %</b> <i>Source: 2010-2014 American Community Survey 5-Year Profiles</i>
Median Housing Value	<b>\$ 430,900</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>
Total Housing Units	<b>14,213</b> <i>Source: 2010-2014 American Community Survey 5-Year Estimates</i>

Census information on Stock Island CDP: <http://www.census.gov/search-results.html?q=Stock+Island+CDP%2C+FL&page=1&stateGeo=none&searchtype=web&cssp=Typeahead>  
 Census information on Monroe County, FL: <http://www.census.gov/search-results.html?page=1&stateGeo=none&searchtype=web&cssp=Typeahead&q=Monroe+County%2C+FL>  
 Census information Key West, FL: <http://www.census.gov/search-results.html?page=1&stateGeo=none&searchtype=web&cssp=SERP&q=key+west%2C+fl&search.x=0&search.y=0>

**EXHIBIT 6-1**  
Hot Spot Areas and Rankings - Lower Keys

<u>Study Area</u>					
No.	Name	Wasetwater Service Area	Hot Spot Area Name	Area Rank by Region	Rank for Entire Keys
1	Stock Island	KW Resort Utility	Unsewered K.W. Resort Utility Resort Area	1	3
2	Boca Chica	Big Coppitt	Coppitt/Johnsonville/Gulfview Porpoise Point/Gulfrest Park and adjacent area along U.S. 1	2	5
3	Bay Point	Bay Point	Bay Point Subdivision and Saddlebunch Shores	3	6
11	Big Pine	Big Pine Regional	Whispering Pines (S)/ Sands/Grieser/ Ross Haven/Pat&Mary/Big Pine Cove, and adjacent area along U.S. 1	4	8
11	Big Pine	Big Pine Regional	Doctor's Arm/Lambert/Tropical Bay, Palma Villa, Whispering Pines (N)	5	11
10	Little Torch	Big Pine Regional	Coral Shores, Windward Beach Estates, Mate's Beach, Jolly Roger Estates, and area east of Mate's Beach south to Jolly Roger Estates	6	16
7	Summerland	Summerland/ Cudjoe/Upper Sugarloaf Regional	Summerland Key Cove/Summerland Cove Isle	7	23
11	Big Pine	Big Pine Regional	Eden Pines Colony	8	25
11	Big Pine	Big Pine Regional	Big Pine Key, Inc., Tropical Key Colony, Pine Channel Estates, Cahill Pines & Palms, and adjacent area along U.S. 1	9	26
6	Cudjoe	Summerland/Cudjoe/Upper Sugarload Regional	Cutthroat Harbor Estates, Cudjoe Ocean Shores	10	28
5	Upper Sugarloaf	Summerland/Cudjoe/Upper Sugarload Regional	Indian Mound Estates, Gulf Shores, Vacation Harbour	11	31
6	Cudjoe	Summerland/Cudjoe/Upper Sugarload Regional	Cudjoe Gardens	12	36
9	Ramrod	Big Pine Regional	Breezeswept Beach Estates, Ramrod Shores, and area along U.S. 1	13	39
2	Boca Chica	Big Coppitt	Rockland Key	14	41
11	Big Pine	Big Pine Regional	Port Pine Heights	15	42
2	Boca Chica	Big Coppitt	Boca Chica Ocean Shores, Tamarac Park	16	43
4	Lower Sugarloaf	Lower Sugar Loaf	Sugarloaf Shores, Orchid Park, adjacent area along U.S. 1	17	44



Docket No. 150071-SU  
 Monroe County Sanitary Master Wastewater Plan  
 "Hot Spot" Excerpt, Exh. 6-1  
 Exhibit KGW-6, Page 1 of 1

**Sec. 20-102. - Definitions and general rules.**

- (a) *Definitions.* The following words, terms and phrases, when used in this article, shall have the meanings ascribed to them in this subsection, except where the context clearly indicates a different meaning:

*Compatible system* means a vacuum system (or other collection system provided by the utility within the public right-of-way), or a sewage force main, if the utility has a force main with adequate capacity. Note larger concentrated flows may require connection to a utility-provided force main within the public right-of-way.

*Connection* means the point where an individual or multiple EDUs are connected to the utility's central collection system and may be by gravity, pressure, or vacuum.

*Equivalent dwelling unit (EDU)*, for purposes of this division, one EDU is assumed to generate a sewage flow of 167 gallons per day, and a recreational vehicle (RV) unit is assumed to generate a sewage flow of 75 gallons per day. One EDU is equivalent to one equivalent residential connection (ERC) as defined by some utilities.

*Infiltration and inflow (I&I)* means the introduction of stormwater run-off, groundwater or other sources of uncontaminated water into a sanitary sewer system. The introduction of I&I is prohibited by F.A.C. ch. 62. All sewer collection systems shall be demonstrated to be free of I&I using one of the test methods cited under the definition of industry and utility standard or by an alternative test method approved by the utility's engineer.

- (b) *Other provisions.*

(1) *Hydrostatic head.*

- a. At least six feet above maximum estimated groundwater level in section being tested.
- b. No less than six feet above inside top of highest section of pipe in test section.
- c. Pumping stations shall be designed with a standard receptacle for connecting portable power generating equipment.
- d. Multiple pumps shall be provided with capacity such that, with any unit out of service, the remaining units will have capacity to handle the peak hourly flow.
- e. Force main leakage tests shall be performed in a manner acceptable to the utility's engineers.

(2) *Hydrostatic test.*

- a. *Pipelines.* All private gravity sewers shall be tested for leakage prior to connection to the utility.
- b. *Testing periods.* All testing for acceptance shall be performed at periods of lowest tide. Testing shall be performed only during the six-hour period of

the lowest tide period of each day (once per day). The utility shall determine this six-hour period each day.

- c. *Testing equipment accuracy.* Accuracy for testing equipment shall be plus or minus one-half gallon of water leakage under specified conditions.
  - d. *Maximum allowable leakage.* The maximum allowable leakage shall be 0.16 gallon per hour per inch diameter per 100 feet.
- (3) *Ownership of system constructed by private property owner.* Where reasonable permanent and temporary easements are granted by the private property owner, the utility may take over the facilities within the permanent easement for ownership and for operation and maintenance. Facilities outside the permanent easement shall remain the responsibility of the private property owner.

(Code 1979, § 15.5-36; Ord. No. 028-2003, § 1)

UTILITY NAME: KW Resort Utilities Corp

YEAR OF REPORT 31-Dec-15
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SYSTEM NAME / COUNTY : KW Resort Utilities / Monroe

**WASTEWATER OPERATING REVENUE**

ACCT. NO.	DESCRIPTION (b)	BEGINNING YEAR NO. CUSTOMERS * (c)	YEAR END NUMBER OF CUSTOMERS * (d)	AMOUNTS (e)
<b>WASTEWATER SALES</b>				
<b>Flat Rate Revenues:</b>				
521.1	Residential Revenues	_____	_____	\$ _____
521.2	Commercial Revenues	_____	_____	_____
521.3	Industrial Revenues	_____	_____	_____
521.4	Revenues From Public Authorities	_____	_____	_____
521.5	Multiple Family Dwelling Revenues	_____	_____	_____
521.6	Other Revenues	_____	_____	_____
521	Total Flat Rate Revenues	_____	_____	\$ _____
<b>Measured Revenues:</b>				
522.1	Residential Revenues	1,548	1,644	630,455
522.2	Commercial Revenues	513	177	864,453
522.3	Industrial Revenues	_____	_____	_____
522.4	Revenues From Public Authorities	_____	_____	_____
522.5	Multiple Family Dwelling Revenues	_____	_____	_____
522	Total Measured Revenues	2,061	1,821	\$ 1,494,908
523	Revenues From Public Authorities	_____	_____	_____
524	Revenues From Other Systems	_____	_____	_____
525	Interdepartmental Revenues	_____	_____	_____
Total Wastewater Sales		2,061	1,821	\$ 1,494,908
<b>OTHER WASTEWATER REVENUES</b>				
530	Guaranteed Revenues	_____	_____	\$ _____
531	Sale of Sludge	_____	_____	_____
532	Forfeited Discounts	_____	_____	_____
534	Rents From Wastewater Property	_____	_____	1,200
535	Interdepartmental Rents	_____	_____	_____
536	Other Wastewater Revenues (Including Allowance for Funds Prudently Invested or AFPI)	_____	_____	104,951
Total Other Wastewater Revenues				\$ 106,151

\* Customer is defined by Rule 25-30.210(1), Florida Administrative Code.

# KWRU Stock Island WWTP Monroe County, Florida

## Public Utility Appraisal Report

Effective Date: December 31, 2014

Report Date: January 2015

For

**KW Resort Utilities Corporation**

Prepared By

**Hartman Consultants, LLC**

With the Supplemental Real Property By

**Appraisal Company of Key West, Inc.**

Project Number 14076.00

**SECTION 2****DESCRIPTION OF FACILITIES**

## 2.01 KWRU Expansion Program

The Owners of KWRU realized that the entire Key of Stock Island needed central sewage service. In March of 2002 WEC developed a three (3) phased program, design and permitting for KWRU to expand from 250,000 gpd and approximately 1,000 connections (approximately 2,000 ERC's) to 499,999 gpd AADF and a nominal 2,500 connections (approximately 5,000 ERC's). Monroe County reserved some 1,500 ERC's for collection system service for approximately \$4,600,000 on July 31, 2002. That reservation did not include the costs of AWT treatment and reuse (See Appendix G). That program has been completed. For the calendar year of 2014 the existing flows are at or exceeding 90% of AWT WWTP capacity.

KWRU has very little inflow and/or infiltration. BRIAN, Inc. rehab inspection and analysis is hired to video inspect the collection system and make repairs as they may be found.

WEC and BRIAN, Inc. both independently have found the collection system to be in good to new condition and having minimal inflow and/or infiltration (Appendix I).

Mr. Devon Villareal provided the FDEP Wastewater compliance inspection report with the inspection January 30, 2013 and report February 14, 2013. The findings were that KWRU was in compliance with all permits (Appendix I).

The existing FDEP WWTP operating permit expires on February 19, 2017.

As of December 31, 2013 pursuant to the FPSC annual report some 4,183.65 ERC's were connected to the system. As of December 31, 2014 approximately 4,615 ERC's were customers of the system. The current December 31, 2014 treatment plant capacity of the system is 5,179 ERC's.

In Appendix H, the reader can find the advertisement, the intent to issue by FDEP and the capacity page of the Draft Permit. The AWT WWTP is expected to be expanded to 849,999 gpd AADF. Within Stock Island, KWRU's FPSC service area, the build-out capacity in ERC's is 8,882 ERC's.

The transmission systems and effluent reuse/disposal systems are in place to serve the build-out condition. It is expected that the majority of the re-development and growth and existing development connections will occur in the 2015-2024 time period, increasing the connected ERC's to approximately 7,500 ERC's. Thereafter, future re-development, under-utilized acreage or other customers are expected to connect over time.

Some of the near term growth is:

1. Stock Island Marina Village - Estimated 30,250 gpd or 313 ERC's.
2. Oceanside Marina - Estimated 26,125 gpd or 271 ERC's.
3. Sunset Marina - 15,000 gpd or some 155 ERC's.
4. Bernstein Development - 30,000 gpd or some 310 ERC's.
5. Approximately 40 acres of scarified or under-utilized land - unknown flow and ERC's.
6. Unconnected Residential Units - Future
7. Unconnected Developed Non-Residential - Future

## 2.02 Collection Systems and Reuse Systems

The following is from the December 18, 2014 WEC report which can be found in its entirety as Appendix E.

### **Lincoln Gardens Gravity Collection System**

The Lincoln Gardens area of South Stock Island consists of a residential area served by a gravity collection system. The gravity mains and manholes are located in the public right of way or in permanent easement granted to the Utility.

The gravity piping is generally vitrified clay. Much of the pipe has been slip-lined with plastic liners, including the gravity laterals. The piping is in good condition. Salinity records show that there is very little saltwater infiltration. Flow records demonstrate that the wet weather inflow and infiltration is limited.

There are three Utility-owned lift stations (discharge into gravity piping) and Utility-owned force main pump stations in the system. The Sunset Trailer Park area discharges into the Lincoln Gardens gravity collection system, using a number of small grinder lift stations.

## Projected 2017 Flows from Residential & Commercial Properties Being Developed or Existing but not yet Connected

	12/31/2014	12/31/2015	2016 (Proj'd)	2017 (Proj'd)
<b>Residential</b>				
# customers	1548	1644		1938
(total per FCAA)		1923		
# unconnected customers		279		
Gallons treated	75,085,420	84,168,400		99,219,786
Gallons per day	205,713	230,598		271,835
avg gals/customer/yr	48,505	51,197		51,197
<b>Commercial</b>				
# customers	513	177		
(total per FCAA)		201		
# unconnected customers		24		
Gallons treated	93,227,580	84,360,600		144,942,515
Gallons per day	255,418	231,125		397,103
avg gals/customer/yr	181,730	476,614		
Est'd annual increase in ERCs	359.21	231		
<b>Total gallons per day</b>	<b>461,132</b>	<b>461,723</b>		<b>668,938</b>
<b>Change in flow (gpd)</b>				<b>207,215</b>
<b>% increase</b>				<b>44.88%</b>

GPD	
Exist unconnecteds on SSI (73ERCs /18 customers)	14,918
Stock Island Marina Village	30,250
Oceanside	26,125
Sunset Marina	15,000
Bernstein Development	30,000
Bernstein Park	1,435
FKCC	41,000
Gerald Adams	3,500
SPCA	3,750
NSI	63,250
SSI	102,728
<b>Total</b>	<b>165,978</b>

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application for Increase )  
In Wastewater Rates in Monroe ) DOCKET NO. 150071-SU  
County By K W Resort Utilities )  
Corp. ) FILED: September 14, 2016  
\_\_\_\_\_)

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following, by electronic delivery, on this 14th day of September, 2016.

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Division of Legal Services  
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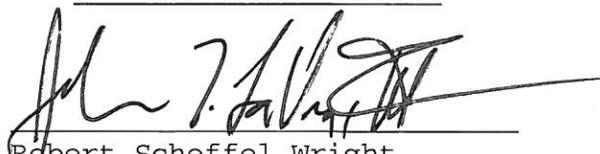
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