

## Ashley Quick

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**From:** Kate Hamrick  
**Sent:** Friday, February 03, 2017 3:42 PM  
**To:** CLK - Agenda Staff; Cindy Muir  
**Subject:** FW: APPROVED Request for Oral Modification to Item 11 on the February 7, 2017 Commission Conference, Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Please see approved – Request to Make Oral Modification for Item 11 – Docket No. 150071-SU – KW SARC

Thank you,

Kate Hamrick  
Executive Assistant to  
Mark Futrell  
Deputy Executive Director: Technical  
Florida Public Service Commission  
850-413-6304

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**From:** Mark Futrell  
**Sent:** Friday, February 03, 2017 3:33 PM  
**To:** Cheryl Bulecza-Banks; Kate Hamrick  
**Cc:** Braulio Baez; Andrew Maurey; Kathy Shoaf; Kyesha Mapp; Mary Anne Helton; Keith Hetrick  
**Subject:** RE: Request for Oral Modification to Item 11 on the February 7, 2017 Commission Conference, Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Approved.

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**From:** Cheryl Bulecza-Banks  
**Sent:** Friday, February 03, 2017 3:13 PM  
**To:** Kate Hamrick  
**Cc:** Braulio Baez; Mark Futrell; Andrew Maurey; Kathy Shoaf; Kyesha Mapp; Mary Anne Helton; Keith Hetrick  
**Subject:** FW: Request for Oral Modification to Item 11 on the February 7, 2017 Commission Conference, Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.  
**Importance:** High

Staff is requesting permission to make an oral modification to its recommendation filed in Docket No. 150071-SU, Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp. scheduled for the February 7, 2017 agenda conference.

Subsequent to filing its recommendation on January 27, 2017, two scrivener's errors were identified that need correction. First, a Florida Statute cite needs to be changed in Issue 8 (page 33) and second, in Issue 32 a witness reference (page 97) needs to be changed.

In addition, language needs to be added to staff's recommendation statement in Issue 39 (page 115) and the Conclusion (page 117) to address the release of security.

**The changes do not affect the revenue requirement or rates recommended by staff.**

The following type and strike modifications reflect staff's recommended changes:

**ISSUE 8 (page 30) There is no change required to staff's recommendation. The only change required is a reference to a Florida Statute on page 33.**

**Issue 8:** What is the appropriate amount of CIAC to be used in determining the rate base that is used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

**Recommendation:** The appropriate amount of contributions-in-aid-of-construction (CIAC) to be used in setting rates is \$10,021,909. Accordingly, CIAC should be increased by \$372,032.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable. (Norris)

**page 33, paragraph 2**

KWRU witness Swain testified that OPC witness Merchant's adjustment to impute future CIAC violates Section 367.081(2)(a)1, F.S., which states that, "...nor shall the commission impute prospective future contributions-in-aid-of-construction against the utility's investment in property used and useful in the public service." (TR 770) Staff believes that the inclusion of collected, non-prepaid CIAC does not violate Section **367.081(2)(a)1** **367.091(2)(a)1**, F.S. Documented CIAC collected by customers actively receiving service in a future period beyond the test year is clearly demonstrated and not prospective. However, staff agrees that potential CIAC should not be imputed.

**ISSUE 32 (page 96) There is no change required to staff's recommendation. The only change required is to a witness reference on page 97.**

**Issue 32:** What are the appropriate rate structures and rates for KWRU's wastewater system?

**Recommendation:** The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4. (Johnson)

**page 97, last paragraph**

KWRU believes 2014 billing determinants are representative of the test year and should be used to calculate rates. (TR 213) County witness Deason testified on the matching principle, which he defined as a requirement "that the utility's rates be set using the utility's costs, investments, revenues, and sales units from the same time period, and that they be representative of the time period in which the new rates will be in effect." (TR 531) However, witness Deason agreed that the Commission has traditionally relied on historical test years for ratemaking purposes in the water and wastewater utility industry. (TR 546) OPC and the County both emphasized the importance of the matching principle in their briefs, while witness **Swain** **Merchant** acknowledged "there's an accounting principle of matching, but not necessarily in utility rate-making." (OPC BR 27; County BR 27; TR 212)

**ISSUE 39 (page 115) Additional language is being added to staff's recommendation statement and concluding paragraph (page 117) to address the release of the security.**

**Issue 39:** Should any portion of the implemented PAA rates be refunded? If so, how should the refund be calculated, and what is the amount of the refund?

**Recommendation:** Yes. The proper refund amount should be calculated by using the same data used to establish final rates, excluding adjustments that do not relate to the period that PAA rates are in effect. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in a PAA refund of 7.43 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. **Further, all security funds in excess of any required refund should be released to the Utility. If a refund is ordered, upon staff's verification that the refunds have been made, any remaining funds should be released to the Utility.** (Norris)

**page 117, paragraph under conclusion**

## CONCLUSION

The proper refund amount should be calculated by using the same data used to establish final rates, excluding adjustments that do not relate to the period that PAA rates are in effect. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in a PAA refund of 7.43 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. **Further, all security funds in excess of any required refund should be released to the Utility. If a refund is ordered, upon staff's verification that the required refunds have been made, any remaining funds should be released to the Utility.**