

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase
in wastewater rates in Monroe
by K W Resort Utilities Corp.

Docket No. 20170141-SU

REBUTTAL TESTIMONY

OF

DEBORAH D. SWAIN

on behalf of

K W Resort Utilities Corp.

1 **Q. Please state your, name profession and address.**

2 A. My name is Deborah D. Swain. I am Vice President of Milian, Swain & Associates, Inc.
3 and head up the firm's finance, accounting and management team. My business address is
4 2015 SW 32nd Ave., Suite 110, Miami, Florida 33145.

5 **Q. Have you presented direct testimony in this case.**

6 A. Yes, I have.

7 **Q. What is the purpose of your rebuttal testimony?**

8 A. The purpose of my rebuttal testimony is to present information to refute some of the issues
9 and arguments presented by Florida Public Service Commission witness Marisa Glover,
10 Office of Public Counsel witnesses Helmuth Schultz and Andrew Woodcock, and Monroe
11 County witnesses Terry Deason and Jeffrey Small.

12 **Q. Are you sponsoring any exhibits?**

13 A. Yes, I am sponsoring the following exhibits: Exhibit DDS-2, select updated schedules from
14 MFR Volume I; Exhibit DDS-3. Stipulated Audit Finding 1 and COA booked by the
15 Utility; Exhibit DDS-4, Table 1-1 from the 2014 Audit Report; Exhibit DDS-5, 2017 asset
16 detail for pumping equipment; Exhibit DDS-6, current prime rate as published by the Wall
17 Street Journal; DDS-7, Interest Paid on FPSC Escrow Account; and DDS-8, a list of my
18 adjustments.

19 **Q. Were these Exhibits prepared by you and your staff?**

20 A. Yes they were, using information provided by KWRU staff or consultants.

21 **Q. What issues will you be addressing in your testimony?**

22 A. I address each witness one at a time, and cover the following issues:

23 FPSC Witness Marisa Glover

24 • Audit Report

25 OPC Witness Schultz

- 1 • Working Capital
- 2 • Accumulated Depreciation and Depreciation Expense
- 3 • Plant Retirements
- 4 • New Office Cost
- 5 • Five-Year Average for Certain Expenses
- 6 • Proforma Benefits
- 7 • Hurricane Irma Costs
- 8 • Extraordinary Event Costs
- 9 • Capital Structure

10 OPC Witness Woodcock

- 11 • Adjustment to Proforma Plant

12 County Witness Small

- 13 • The appropriateness of projected test year billing units
- 14 • The calculation of projected test year billing units

15 County Witness Deason

- 16 • Matching Principle

17

18 AUDIT FINDINGS

19 **Q. Do you agree with the findings in the Audit Report prepared by FPSC Witness Marisa**
 20 **Glover?**

21 A. I agree with Audit Finding 4 and Audit Finding 5, but disagree with Findings 1, 2 and 3.

22

23 FPSC AUDIT FINDING 1

24 **Q. Please explain why you are not in agreement with Finding 1.**

25 A. Audit Finding 1 makes additional adjustments to plant, accumulated depreciation and

1 depreciation expense for commission ordered adjustment allegedly not made by KWRU
2 from the prior case.

3 Audit Finding 1 in the prior case, Docket No. 150071-SU, found numerous corrections to
4 entries recorded to utility plant accounts. KWRU filed a response to that finding on
5 November 19, 2015. In the Order No PSC-16-0123-PAA-SU, the Commission agreed with
6 the utility's objections, stating "In response to Audit Finding No. 1, the Utility disagreed
7 with the removal of \$160,823 from plant and provided explanations and support for the
8 inclusion of multiple transactions that occurred during 2007, 2008, and 2009. We agree
9 with the Utility's explanations and the appropriate corresponding adjustments to increase
10 plant and accumulated depreciation by \$160,823 and \$45,676 respectively shall be made."

11 Although the PAA was protested, the Final Order reflects that all parties stipulated to
12 adjusted Finding No. 1, and included a table identical to the table in the PAA order that
13 reflects the agreed to amounts as they pertained to rate base (with the exception of
14 working capital). The stipulation was \$817,240.

15 Table 1-1: 13-Month Average Adjustment

16 Although the level of detail regarding the calculations behind the stipulated amounts are not
17 contained in the final order, it is appropriate to refer to the PAA Order to find those details.

18 The pertinent issue is that the utility objected to adjustments included in the associated audit
19 report in the amount of \$160,823, and the resulting amount was incorporated into the final
20 order.

21 It appears that not all of the individual items included in that total of \$160,823 were
22 considered in the audit report in this case. For example, the first line item detailed on page
23 6, Account 361 Collection Sewers, indicates that the utility should have made an adjustment
24 of \$140,054 but only made an adjustment of \$124,296. My Exhibit DDS-3 shows the
25 detail of the adjustments argued by KWRU in Docket 15071-SU, the resulting

1 stipulated Finding 1, the adjustment booked by the utility. It then shows the 2017
2 Finding 1 amount Witness Glover said was booked compared to what she claimed was
3 actually booked. By reviewing my Exhibit, it is apparent that not all of the amounts and
4 adjustments in that 2017 Audit Report are correct. It is also apparent that although
5 KWRU booked all of the adjustments, the adjustments were not necessarily to the
6 account determined in the audit for the last case. In some cases it is because the
7 adjustment made by KWRU was to the account where the error actually resided, but in
8 some cases, the entry was to the incorrect account. Exhibit DDS-4 is Table 1-1 which
9 provides the detail extracted from the 2014 Audit Report for Audit Finding 1.

10 **Q. What adjustments, if any, should be made to Finding 1?**

11 A. Finding 1 should be reversed in its entirety.

12
13 FPSC AUDIT FINDING 2

14 **Q. Please explain why you are not in agreement with Finding 2.**

15 A. Audit Finding 2 states that "Typically interest bearing accounts, such as these, are excluded
16 from working capital unless the associated interest income is also included above the line in
17 Revenues. The Utility did not include any interest income in revenues for this rate case.
18 Therefore, average working capital should be decreased by \$20,160."
19 However, the utility did include the income from deposits paid during the test year, as
20 interest paid is a credit on the invoice for service from the provider. KWRU recorded only
21 the net amount of the invoice as an expense on its books, having the same net effect as
22 recording the interest as income.

23
24 FPSC AUDIT FINDING 3

25 **Q. Please explain why you are not in agreement with Finding 3.**

1 A. Audit Finding 3 recommends an increase of \$20,789 in test year revenues based upon a
2 review of billing registers and billing history reports. Of that total adjustment, \$9,982 is due
3 to a difference between the miscellaneous revenues in the MFRs and the amount reported
4 on the utility's RAF report. However, \$9,623 of that is MCDC revenues that were incurred
5 in the prior period (June 2016), and on the company books in June 2016, but inadvertently
6 omitted from the RAF report as of June 30, 2016. This amount was included in the
7 December 31, 2016 return. This amount, \$9,623 should not be an adjustment to test year
8 revenues. Next, after reviewing the audit workpapers, I do not agree with the adjustment of
9 \$10,807 for measured residential (522.1) and commercial revenues (522.2) as it appears that
10 no adjustments and/or credits to customer bills were considered.

11

12 WORKING CAPITAL

13 **Q. Do you agree with OPC Witness Schultz' adjustment to cash in the calculation of**
14 **Working Capital included in Rate Base?**

15 A. No. I do not agree with him that the utility has accumulated a significant amount of cash
16 that is not readily needed to operate the Company on a daily basis. During the test year the
17 utility was unable to meet its financial obligations on two occasions during the months of
18 July and August 2016. In July 2016, the utility was unable to cover the costs of construction
19 requiring a loan transfer in the amount of \$681,780 into its capital account. Additionally
20 during the month of August 2016 the utility had to rely on capital contributions in the
21 amount of \$530,000 to cover construction costs. The utility relied on capital contributions
22 and draws from long term debt to cover its normal operating costs and construction costs
23 during the test year.

24 Furthermore, in the last rate case, OPC claimed that the \$877,289 of cash included in
25 KWRU's requested working capital was excessive, and in Order No. PSC-16-0123-PAA-

1 SU, Commission reduced the amount allowed in working capital by \$559,311. However, it
2 is obvious that this assertion was inaccurate, the amount was not excessive, and in fact has
3 continued and even slightly increased through the current test period.

4 KWRU has continued to struggle to obtain the cash needed for their operations and the
5 sizable capital program they have in place. It is unfair to arbitrarily reduce cash because it
6 is "not needed" when this is just not the case. The appropriate amount includable in working
7 capital so that the utility can meet its financial obligations is \$911,826.

8 **Q. Do you agree with OPC Witness Schultz' that the 13-month average for deferred rate
9 case expense for the last rate case is overstated?**

10 A. Yes, I agree with him that the 13-month average for deferred rate case expense for the last
11 rate case on Schedule A-18 Page 2 of 2 is overstated and that the correct 13-month average
12 less amortization should be \$408,931. I do not agree with the calculation of his
13 recommended adjustment that working capital should be decreased by \$29,055. Omitted
14 from Witness Schultz calculation is the Utility's adjustment on Schedule A-3 Page 2 of 2
15 Line 14 adjusting working capital for 6 months amortization in the amount of \$(53,853). As
16 agreed, the 13-month average for deferred rate case expense as presented in Witness
17 Schultz' testimony should only be adjusted for two months amortization, therefore working
18 capital should be increased by \$24,798, as calculated below.

19	2015 Deferred Rate Case Expense OPC Balance - 13-month Average	\$ 408,946
20	2015 Deferred Rate Case Expense MFR Schedule A-18 - 13-month Average	\$ 438,001
21	Schedule A-3 Page 2 of 2 Line 14 Working Capital Adjustment for Unamortized	
22	rate case expense	<u>\$ (53,853)</u>
23	Deferred Rate Case Expense included in Working Capital	<u>\$ 384,148</u>
24	Working Capital Adjustment (additional)	<u>\$ 24,798</u>

25 **Q. Do you agree with Witness Schultz that Working Capital should exclude the "FPSC
26 Escrow Funds"?**

27 A. No, I do not agree that working capital should be decreased by the 13-month average

1 balance of \$282,123 in the FPSC Escrow Account. Funds in this account represented
2 43.94% of all utility revenues collected per Order No. PSC-16-0123-PAA-SU deposited
3 into an interest bearing trust account as required. These funds were earned by KWRU and
4 were not refunded. As such, they are properly attributable to working capital. The
5 approximately .5% annual interest is nominal and the utility is willing to include the \$1,689
6 of interest paid on the account in utility income, and include the FPSC Escrow Account in
7 working capital. It should be noted that the utility paid more interest than the amount
8 earned in refunds to customers. I have provided the report of interest paid on the FPSC
9 Escrow Account in DDS-7.

10
11 PROFORMA PLANT

12 **Q. Do you agree with Witness Schultz that the actual cost of the service truck with the**
13 **crane should be used instead of the original estimated cost?**

14 A. Yes, I do. As KWRU Witness Johnson testifies, the actual cost is different than the original
15 estimate, and the \$65,105 actual cost should be used instead.

16 **Q. Do you agree with Witness Schultz that the actual cost of the sand-sifter should be**
17 **used instead of the original estimated cost?**

18 A. Yes, I do. The \$43,110 actual cost should be used instead.

19 **Q. Do you agree with Witness Schultz that the cost of the new office building should be**
20 **excluded?**

21 A. No. Although he has no objection to KWRU's request for a new office building, he
22 recommends that no cost be allowed.

23 **Q. What is Witness Schultz' objection?**

24 A. First, he objects to the cost of the new office, stating that it is too high. He explained that he
25 did an online review of construction costs, comparing the requested cost of KWRUs office

1 to prices he found in Broward, Miami and West Palm Beach. As the utility has explained
2 consistently, the cost of virtually everything in the Keys is higher than elsewhere. Materials,
3 supplies and labor all must be brought in from the mainland. It does not take much to
4 speculate that the cost after the hurricane is even higher. Resources are scarce, and
5 comparisons in other areas of the state or the country are irrelevant.

6 **Q. To what else does Witness Schultz object with respect to the new office?**

7 A. He objects to the lack of competitive bids, however Witness Johnson explains that this is
8 incorrect.

9 **Q. What is your recommendation about the cost and inclusion of a new office?**

10 A. The cost which is supported by Chris Johnson and Robert Pabian should be included, and
11 consideration for the difficulty in negotiating and securing a contractor for the work should
12 be recognized.

13 **Q. Do you agree with Witness Schultz that the actual cost of other proforma plant**
14 **additions that he notes from OPC Witness Woodcock's testimony should be used**
15 **instead of the original estimated cost?**

16 A. Yes, I do. As Witness Johnson testifies, where the actual cost is different than the original
17 estimate, the actual cost should be used instead. However, it should be noted that Witness
18 Johnson supports different actual costs than Witness Woodcock. I recommend adjustments
19 to the MFRs to the extent that Witness Johnson has supported.

20

21 ACCUMULATED DEPRECIATION AND DEPRECIATION EXPENSE

22 **Q. Do you agree that any adjustments to the proforma capital costs should include**
23 **adjustments to the associated accumulated depreciation and depreciation expense?**

24 A. Yes. The calculation of proforma accumulated depreciation and depreciation expense
25 should be based on the final allowed proforma capital costs.

1 **Q. Is Witness Schultz correct that the worksheet provided by KWRU titled "Plant**
2 **Additions" does not match the trial balance?**

3 A. He is correct, which is why the utility corrected the MFRs, showing the adjustment on MFR
4 Schedule A-3, page 1 of 2. He then goes on to describe how this discrepancy was not
5 properly considered when KWRU annualized depreciation for this plant. Again he is
6 correct. However, his adjustment is inaccurate.

7 **Q. Please explain the adjustments you would make.**

8 A. I would make the following adjustments:

9 (1) KWRU made an annualization adjustment to Accumulated Depreciation for one-half
10 year, as if no depreciation had been recorded. Upon review, I have found that this is
11 incorrect. KWRU had recorded accumulated depreciation on all plant added after January
12 2017 for six months, and this is what is included in the MFRs. No annualization adjustment
13 to accumulated depreciation should have been made.

14 (2) When KWRU made the entry in March 2017 to record the completion of the AWT
15 plant, the entire amount was recorded to 354.4 Structures and Improvements, which has a
16 30-year life. Of that amount recorded, \$1,769,864 should not have been recorded to that
17 account. This balance should have been charged to the accounts below. This correction
18 should result in an adjustment to accumulated depreciation.

19 The correction to plant, as shown in the MFRs on Schedule A-3, page 1 of 2, lines 4-6 and
20 lines 20-22, is as below:

21	354.4 Structures and Improvements	(1,769,868)	(30-year life)
22	364.2 Flow Measuring Devices	78,652	(5-year life)
23	380.4 Treatment & Disposal Equipment	1,591,112	(18-year life)
24	381.4 Plant Sewers	100,100	(35-year life)

25 The accumulated depreciation impact of these corrections to plant additions is as below,

1 with a one-half year convention.

2	354.4 Structures and improvements	(29,498)
3	364.2 Flow Measuring Devices	7,865
4	380.4 Treatment & Disposal Equipment	44,198
5	381.4 Plant Sewers	<u>1,430</u>
6	Total (additional accumulated depreciation required)	23,995

7

8 (3) The adjustment made by KWRU on the MFRs to annualize depreciation expense was
9 incorrect. The adjustment assumed that expense commenced the month after the plant was
10 added. However, in fact, depreciation started in January. The adjustment to increase
11 depreciation by \$185,311 should have only been \$125,074, per the "Plant Additions"
12 worksheet.

13 (4) The correction to the plant accounts described above requires an adjustment to
14 depreciation expense as it did to accumulated depreciation. This correction is as follows,
15 using a full year of depreciation expense

16	354.4 Structures and improvements	(58,996)
17	364.2 Flow Measuring Devices	15,730
18	380.4 Treatment & Disposal Equipment	88,396
19	381.4 Plant Sewers	<u>2,860</u>
20	Total	47,990

21 **Q. Please summarize these four adjustments.**

22 A. I would summarize as follows:

23		<u>Accumulated Depreciation</u>		<u>Depreciation Expense</u>	
24	Correction reference	(1)	(2)	(3)	(4)
25	354.4 Structures & Improvements	(63,736)	(29,498)	(31,868)	(58,996)
26	360.2 Collection Sewer Force	(3,839)		(640)	

1	364.2 Flow Measuring Devices	(7,865)	7,865	(3,933)	15,730
2	371.3 Pumping Equipment	(764)		(284)	
3	375.6 Reuse Trans/Dist	(2,358)		(393)	
4	380.4 Treatment & Disposal Equipment	(44,951)	44,198	(22,405)	88,396
5	381.4 Plant Sewers	(1,430)	1,430	(715)	2,860
6	390.7 Office Furniture	<u>(132)</u>		<u>1</u>	
7		<u>(125,074)</u>	<u>23,995</u>	<u>(60,237)</u>	<u>47,990</u>

8 Total additional adjustment

9 Accumulated Depreciation: $(\$125,074) + 23,995 = \underline{\underline{(\$101,079)}}$

10 Depreciation Expense: $(\$60,237) + 47,990 = \underline{\underline{(\$12,247)}}$

11

12 RETIREMENTS

13 **Q. Do you agree with OPC Witness Schultz' adjustments to retire several assets,**
 14 **including the chlorine contact chamber, lift station, generator, and the office?**

15 A. I agree that the chlorine contact chamber and the lift station should be retired, since we have
 16 included proforma plant to replace those items.

17 **Q. Do you agree with the retirement entries he recommends?**

18 A. Since the chlorine contact chamber and the lift station were constructed many years ago, we
 19 are unable to find the original cost of those specific assets. In that case, it is consistent with
 20 Commission policy to assume an original value of 75% of the replacement cost without
 21 better or more reliable information. However, in looking at the adjustments he recommends,
 22 and the balance in the specific accounts, I do not agree with the adjustments he makes.

23 **Q. With what do you disagree?**

24 A. Lift stations: His adjustment to retire lift stations is a reduction to account 354.3 of \$92,715.
 25 However the balance in that account before the proforma adjustment is only \$875, the cost
 26 of a fence installed in 2003. KWRU estimates that the lift station was installed in the mid-

1 1980s. The account with additions in the 1980s is account 3713 Pumping Equipment, with a
2 total addition of \$163,052 in 1984. The next addition to that account was not until 2003, so
3 this lift station is most likely included in that 1984 line item. The only other assets added in
4 the 1980s were 3534 Land (1985), 3544 Structures (1985), 3602 Force Mains (1986), 3612
5 Gravity Lines (1986), 3804 "Oxidation Lagoon" (1986), 3894 Misc Equipment (1984), and
6 3937 Tools (1984).

7 **Q. Why is this significant?**

8 A. Most importantly, account number 3713 only has a 18-year life and that particular line item
9 is no longer being depreciated. With the exception of account 3612 Gravity Mains (45 year
10 life), all assets added in those categories in the 1980s are also fully depreciated, and the
11 company is no longer depreciating them.

12 **Q. What is your recommendation pertaining to lift stations?**

13 A. Based on my review of the asset schedules, I believe that Lift Station 2A was included in
14 the account 3713 Pumping Equipment. Since we cannot trace the original cost of the lift
15 station, the utility should follow Commission policy and retire 75% of the replacement cost.
16 This is \$109,795 ($\$146,393 \times 75\%$), reducing account 3713 and accumulated depreciation
17 by that amount. However, no adjustment to depreciation expense is needed as the asset is
18 fully depreciated, and has not been depreciated since June 2002. The asset details to which I
19 am referring were provided in response to OPC 1st Request for POD #12 and attached to
20 my rebuttal testimony as Exhibit DDS-5.

21 **Q. Do you agree with the retirement of the chlorine contact chamber?**

22 Although KWRU estimates that the two original chlorine contact chambers were
23 constructed in 1994 and 1996, a review of that same asset detail shows that the only
24 additions to plant in that year were to accounts 3602 Force Mains, and 3804 Treatment and
25 Disposal Equipment. In 1997 there was also an addition to 3804 Treatment and Disposal

1 Equipment. It would be consistent with the records to presume that the two contact
2 chambers are included in the balance for account 3804. However, the depreciation life of
3 3804 is 15 years. The additions to 3804 from 1997 and earlier were fully depreciated, and
4 there is no depreciation expense in the MFRs for those assets. The next addition to that
5 account is not until the year 2000 for the installation of a pond liner. As is consistent with
6 Commission policy, it would be appropriate to reduce account 3804 and accumulated
7 depreciation by \$832,470 ($\$1,109,960 \times 75\%$) but no adjustment to depreciation expense is
8 appropriate.

9 **Q. Do you agree with Witness Schultz that the office which is being replaced should be**
10 **retired?**

11 A. Yes, I do. Although Witness Schultz did not propose an adjustment, it was because he was
12 not including the new office. A review of the asset detail indicates that the current office
13 was purchased in 2002, is included in the account 3544 Structures and Improvements, the
14 cost was \$44,450, and is being depreciated over 30 years. In addition, in that same account,
15 there was a charge for relocating the office trailer \$20,064, and for office trailer electrical of
16 \$4,461 in 2003. The appropriate adjustment is to reduce account 3544 Structures and
17 Improvements, and accumulated depreciation by \$68,975 ($\$44,450 + 20,064 + 4,461$). It is
18 also appropriate to remove the associated depreciation expense included in the MFRs by
19 \$2,299, which is \$68,975 divided by 30 years.

20 **Q. Do you agree that the generator which is being replaced should be retired?**

21 A. Yes, I do. However, the amount and account he used for the retirement adjustments is
22 incorrect. Per the asset detail schedule, the Kohler Generator was purchased in December
23 2005 at a cost of \$75,682, plus various installation costs totaling \$34,541, and additions in
24 2012 of \$18,034, all recorded in account 3554 Power Generated Equipment, which has a 20
25 year life for depreciation. The correct retirement adjustment would be a reduction to 3554

1 Power Generated Equipment and accumulated depreciation for the total including
2 installation of \$128,257, and a reduction to annual depreciation expense of \$6,413 which is
3 \$128,257 divided by 20 years.
4

5 PHONE SYSTEM

6 **Q. Do you agree that a redundant phone system should be excluded from rates?**

7 A. No. Apparently it is not possible for Mr. Schultz to contemplate the enormous impact on
8 customers when a telephone system fails after a catastrophic event. Like millions of
9 customers in all of south Florida, KWRU was completely without telephone service for
10 days. KWRU provides vital service to its customers, and cannot fail to provide that service.
11 What Mr. Johnson has stated in his testimony is that the SCADA system is controlled over
12 the internet. KWRUs internet service was through its telephone service provider. It is not
13 surprising that Mr. Johnson is installing a redundant system to this vital service to ensure
14 that the wastewater system is operational as quickly as possible in after a hurricane.

15 **Q. Is a redundant phone system only needed in event of a hurricane?**

16 A. No. The failure of the telephone and internet systems as a result of the hurricane simply
17 highlighted the fragility of these systems. Redundancy is in place for the electrical system
18 and now KWRU will put in place redundancy for the communication systems. The Florida
19 Keys suffer a particular vulnerability due to their geography. The communication system
20 infrastructure serving the keys are installed adjacent to the length of US Highway 1. Any
21 disruption of service along that span results in service disruption. The utility's SCADA
22 system relies on the communication system to provide the information, including alerting
23 on-call personnel in event of a system failure. Without an operational communication
24 system, the Utility will not receive an alert for an emergency condition, and the
25 consequences can be catastrophic, as testified by Witness Johnson. In my own experience

1 communicating with KWRU in this rate case, KWRU staff has had to field calls using
2 cellular phones, as KWRU's lines were down, on multiple occasions.

3

4 PENSION PLAN

5 **Q. Do you agree with Witness Schultz' testimony regarding the pension expense?**

6 A. I do not agree with his adjustment to pension expense. KWRU has implemented a
7 traditional pension plan in response to difficulties with retaining employees. He even
8 characterized this traditional pension plan as "gold-plated".

9 First, as supported by Witness Johnson's rebuttal testimony, KWRU found that the pension
10 plan was a key factor in its ability to retain staff. This is primarily because the previous
11 plan, a 401k, allowed employees to take 100% of the funds paid in by the Company at the
12 time the employee left through a rollover to an IRA, in other words, vesting immediately.
13 The traditional pension plan builds in a vesting schedule that encourages employees to
14 remain with the company in order to vest.

15 Second, as Witness Johnson testifies, and as KWRU has explained, employees have left for
16 other employment due, in part, to the pension plan. Considering that other employers are
17 offering traditional pension plans, this would dispel the claim that this pension plan is
18 somehow excessive.

19 And finally, several years ago, my own company added a traditional pension plan to our
20 benefits package in addition to a 401k. We did this for the same reason as KWRU – to
21 establish a competitive benefit package and retain employees – in our case, professional
22 engineers. The advantage is that it encourages employees to stay with the company, or they
23 will not vest in the plan, unlike with payments by the company to the 401k plan which are
24 vested immediately.

25 **Q. Can you explain how you calculated the pension expense?**

1 A. Yes. I want to first point out that I have revised the original incremental cost of the new
 2 pension plan. In the MFRs I made an adjustment of \$10,141 to add 1% of salary as the
 3 additional cost of the pension plan. However, in response to discovery requests, we
 4 determined that this number did not incorporate the full incremental additional cost.
 5 As explained by KWRU in its Response #123 to OPC's 5th set of Interrogatories, and
 6 further explained by Witness Johnson, the total incremental cost of implementing a
 7 traditional pension plan included within the test year will be higher than the \$10,141
 8 included in the original pro forma adjustment. The amount that should be included is
 9 \$35,768, calculated as 5% of annualized November salaries plus an expectation of
 10 overtime, administration and setup costs, minus \$18,001 included in the test year.

11	Salaries and wages, adjusted as described above	\$ 971,380
12	Company contribution of 5%	\$48,569
13	Administration & setup costs	5,200
14	Less test year amount paid	<u>(\$18,001)</u>
15	Estimated incremental pension expense	\$35,768

16 I have incorporated this number into my revised MFR Schedules included in Exhibit
 17 DDS-2.

18

19 BAD DEBT EXPENSE

20 **Q. Do you agree that KWRU's bad debt expense for an unpaid employee loan should be**
 21 **disallowed?**

22 A. While I understand Witness Schultz' arguments for removing that cost, I disagree with his
 23 conclusion. The expense incurred should have more correctly been charged to employee
 24 costs rather than bad debt expense. Schultz' first argument is that because KWRU did not
 25 pursue collection of the sum owed, it should not become a burden to the ratepayer. He is not

1 arguing that the loan should not have been made. In his analysis, he should have considered
2 the cost of pursuing collection through a law firm and collection company as an offset to the
3 potential payment. He also claims that this is a non-recurring cost, however there is no
4 indication that this is non-recurring, or that if it is, that some similar cost won't be incurred
5 in the company's continuous effort to attract and maintain its employees.

6
7 HURRICANE IRMA COSTS

8 **Q. Witness Schultz identifies certain hurricane costs that were duplicated in KWRU's**
9 **filing. Can you please go over them, and tell us what you found?**

10 A. Yes. Witness Shultz found two charges to Information Technology Solutions for \$142.50
11 and \$1,722.50 that appear to be duplicated. After reviewing the information provided, I
12 agree that the two charges from Information Technology Solutions in the amounts of
13 \$142.50 and \$1,722.50 are duplicates and should be removed.

14 He also identified a charge of \$2,899 to Nearshore Electric to set up the electrical in the
15 temporary office trailer, in addition to \$6,000 for utility installation costs. I agree that the
16 charge from Nearshore Electric in the amount of \$2,899 should be removed.

17 There is also a charge from Sunbelt Rentals for \$1,940.41 in addition to six months of rental
18 expense for the tow behind generator, finding that this one charge was a duplicate.

19 However, I do not agree that the \$1,940.41 charge from Sunbelt Rentals should be removed.

20 So far the Utility has paid a total of \$13,582.87 for seven months rental expense. Rental of
21 the tow behind generator is expected to continue for an additional 4 months until the
22 purchased unit will be delivered. I have also updated the cost associated with the rental of
23 the large generator for a total of \$147,419 as it will also continue for 11 months.

24 Therefore, our requested hurricane costs should be increased by an additional \$57,095,
25 amortized over 4 years for an increase of \$14,274 to O&M costs. Finally, Witness Schultz

1 finds that 6 charges labeled Paychex Overtime totaling \$7,440.27 are a duplicate of a
2 separate line item on Schedule B-3 to amortize the hurricane overtime. However, there is
3 only one adjustment included on the B-3 for costs associated with Hurricane Irma, and this
4 is not a duplicate, Furthermore, these costs were incurred as a direct result of the hurricane,
5 which took place after the test year, and is therefore not otherwise included in the MFRs.

6 **Q. Do you agree with Witness Schultz' contention that any insurance proceeds paid to**
7 **compensate for damage caused by Hurricane Irma should be used to reduce the**
8 **amount requested by KWRU?**

9 A. Yes, I do. In February 2018, KWRU received a payment of \$ \$19,393 as compensation for
10 damages sustained from the hurricane. That payment should be used to reduce the deferred
11 hurricane expense amount we are including in working capital, and amortizing over four
12 years.

13 **Q. Do you agree that the cost associated with Hurricane Irma should be amortized over**
14 **five years, not four?**

15 A. No, as testified to by Witness Chris Johnson, hurricane cost should be amortized over four
16 years, not five. KWRU has determined that the anticipated average occurrence of impact
17 from a hurricane is four years.

18

19 ADVERTISING EXPENSE

20 **Q. Do you agree with Witness Schultz' recommendation that the most appropriate**
21 **method for estimating advertising expense is a five-year average?**

22 A, No, I do not agree with his recommendation that the most appropriate method for
23 estimating advertising expense is a five-year average. Considering the newly
24 constructed plant, and the resulting change in operations, including virtually all

1 operating and maintenance conditions, it is inappropriate to do look-back to analyze
2 current conditions for most expenses.

3 Rule 25-30.437 F.A.C. states that the includable operations and maintenance cost in an
4 application for rate increase is the total test year expense. Rule 25-30.433(8), F.A.C.
5 states that non-recurring expenses shall be amortized over a five-year period.
6 Advertising expenses, as indicated in Witness Schultz testimony, is an annual expense
7 incurred by the Utility. It is not a non-recurring expense and therefore the includable
8 amount is the total test year actual expense.

9 **Q. Do you agree with the use of the Annual Reports to calculate a 5-year average?**

10 A. No. I do not agree with Witness Schultz' calculating the 5-year average based on
11 information from the Annual Reports. Information found in the Utility's Annual
12 Reports are compiled on a December 31 basis while the test year is June 30, 2017. The
13 period for any calculated average should be from July through June. By using this
14 method, he is excluding six months of the test year in his average. This is particularly
15 pertinent in the case of advertising expense, where \$0 was incurred between January -
16 June 2016, and the entire \$1,376 in 2016 was incurred from July - December 2016.
17 Another \$4,256 was incurred in the period January - June 2017, and the total for the test
18 year was \$5,803. The results of an average were significantly skewed since the amount
19 used by Witness Schultz for the fifth year of his 5-year average was the \$1,376 incurred
20 in late 2016.

21

22 MATERIALS AND SUPPLIES

23 **Q. Do you agree with Witness Schultz' recommendation that the most appropriate**
24 **method for estimating materials and supplies expense is a five-year average?**

1 A, No, I do not agree with his recommendation that the most appropriate method
2 for estimating materials and supplies expenses is a five-year average. Considering the
3 newly constructed .350 MGD plant, and the resulting change in operations, including
4 virtually all operating and maintenance conditions, it is inappropriate to do look-back to
5 analyze current conditions for most expenses, and particularly for materials and
6 supplies.

7 Rule 25-30.437 F.A.C. states that the includable operations and maintenance cost in an
8 application for rate increase is the total test year expense. Rule 25-30.433(8), F.A.C.
9 states that non-recurring expenses shall be amortized over a five-year period. Materials
10 and supplies, as indicated in Witness Schultz testimony, is an annual expense incurred
11 by the Utility. It is not a non-recurring expense, and therefore the includable amount is
12 the total test year actual expense. Averaging expense completely fails to recognize
13 increasing trends as conditions change.

14 **Q. Do you agree with the use of the Annual Reports to calculate a 5-year average?**

15 No. I do not agree with Witness Schultz' calculating the 5-year average based on
16 information from the Annual Reports. Information found in the Utility's Annual
17 Reports are compiled on a December 31 basis while the test year is June 30, 2017. The
18 period for any calculated average should be from July through June.

19 Finally, KWRUs detailed general ledger accounts are in much greater detail than the
20 summary accounts listed in the annual reports and in the MFRs. While reviewing the
21 amounts recorded in materials and supplies based upon the testimony of Witness
22 Schultz, I discovered that the accounts included in materials and supplies in the MFRs
23 is not consistent with the accounts used in the Annual Reports nor the prior MFRs. For
24 that reason, an adjustment must be made to categorize the detailed accounts correctly

1 and consistently with all prior years. The details of the individual accounts totaled for
 2 materials and supplies in the MFRs was provided in OPC's 1st request for production of
 3 documents, number 12, in this docket, as subsequently revised on 2/21/2018 as
 4 document # 0165-2018, and attached hereto as Exhibit DDS-2.

5 Below are the individual detailed accounts included in materials and supplies in the
 6 MFRs, and the account that should have been used:

		<u>MFRs</u>	recommended
			Account
9	7180510 Supplies	22,518.99	720
10	7200510 Equipment & Supplies	9,497.08	720
11	7200820 Office Supplies	10,734.70	720
12	7360110 Emergency Repairs	684.40	736
13	7360200 Vacuum Stn Repairs & Maint	10,180.64	736
14	7360330 Vacuum Collection System	2,429.94	736
15	7360410 Lift Stations-Cleaning	2,263.89	736
16	7360420 Lift Station Repair & Maint	5,076.27	736
17	7360430 Pumps & Panels Repairs & Maint	2,749.08	736
18	7360520 Equipment Repair & Maint	3,997.53	736
19	7360530 Filter Beds	26.86	736
20	7360540 Generator Maintenance	3,815.84	736
21	7360600 Grounds and Office Maint	2,849.24	736
22	7360610 Plant Repair or Maintenance	<u>9,216.11</u>	736
23	Total	86,040.57	

24 This would result in a reduction of \$43,290 to account 720 Materials and Supplies and
 25 an increase in the same amount to Account 736 Contractual Services Other. The
 26 resulting total would be as below:

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	<u>per MFRs</u>	<u>adjustment</u>	<u>adjusted total</u>	<u>Schultz average</u>
Account 720	\$86,041	(\$43,290)	\$42,751	\$37,566
Account 736	\$0	\$43,290	\$43,290	N/A

It is pertinent to point out here that Witness Schultz did not perform a historical analysis on account 736 which went from \$45,054 allowed in the 2014 test year rate case to \$0 in our 2017 MFRs.

To make the impact of the re-assignment of the detailed accounts above, I have included revised MFR schedules B-6 and B-8 as Exhibits DDS-2

CONTRACTUAL SERVICES - ENGINEERING

Q. Do you agree with Witness Schultz’ recommendation that the most appropriate method for estimating contractual services-engineering expense is a five-year average?

No. I do not agree with his recommendation that the most appropriate method for estimating contractual services - engineering expenses is a five-year average. Considering the newly constructed .350 MGD plant and the resulting change in operations, including virtually all operating and maintenance conditions, it is inappropriate to do look-back to analyze current conditions for most expenses, including engineering services. Rule 25-30.437 F.A.C. states that the includable operations and maintenance cost in an application for rate increase is the total test year expense. Rule 25-30.433(8), F.A.C. states that non-recurring expenses shall be amortized over a five-year period. Contractual services - engineering, as indicated in Witness Schultz' testimony, is an annual expense incurred by the Utility. It is not a non-

1 recurring expense and therefore the includable amount is the total test year actual
2 expense.

3 **Q. Do you agree with the use of the Annual Reports to calculate a 5-year average?**

4 A. No. I do not agree with Witness Schultz' calculating the 5-year average based on
5 information from the Annual Reports. Information found in the Utility's Annual
6 Reports are compiled on a December 31 basis while the test year is June 30, 2017. The
7 period for any calculated average should be from July through June.

8 **Q. Do you agree that the cost included in Contractual Services - Engineering to renew the
9 DEP permit should be amortized over 5-years?**

10 A. Yes, the cost of obtaining or renewing a permit should be amortized over the life of the
11 permit. However, the unamortized balance should be included in working capital.

12 **Q. Do you agree that the cost included in Contractual Services - Engineering associated
13 with plant projects should be capitalized?**

14 A. Yes, the cost of engineering associated with plant projects should have been capitalized
15 to those plant projects.

16

17 WORKERS' COMPENSATION INSURANCE

18 **Q. Do you agree that only the test year amount workers' compensation should the
19 allowed?**

20 A. No. The cost of those employees for workers' compensation is 4.4% as KWRU provided in
21 its response to Citizens' Interrogatory No. 61. Witness Schultz does not present an
22 argument against the calculation. He asserts that since the number of employees has not
23 increased, the cost should not increase. However, as I have discussed, the number of
24 employees has increased, as KWRU had projected in its proforma expense adjustment, and
25 therefore the expense should increase.

1 EQUIPMENT RENTAL EXPENSE

2 **Q. Do you agree with Witness Schultz' recommendation that the most appropriate**
3 **method for estimating equipment rental expense is a five-year average?**

4 A. No. I do not agree with Witness Schultz' recommendation that the most appropriate
5 method for estimating rental of equipment expense is a five-year average. Rule 25-
6 30.437 F.A.C. states that the includable operations and maintenance cost in an
7 application for rate increase is the total test year expense. Rule 25-30.433(8), F.A.C.
8 states that non-recurring expenses shall be amortized over a five-year period.
9 Equipment rental expense, as indicated in Witness Schultz testimony is not a non-
10 recurring expense and therefore the includable amount is the total test year actual
11 expense.

12 **Q. Do you agree with Witness Schultz' recommendation that the entire test year**
13 **expense should be removed?**

14 A. No. In his testimony Witness Schultz calculated a 5-year average expense of \$656 for
15 rental of equipment then recommended removing the entire test year expense of \$1,479.
16 I do not agree with the recommended adjustment to remove the entire test year expense
17 of \$1,479 as it is unreasonable to assume that there will be no future equipment rental
18 expense since the Utility has purchased a service truck with crane. On the contrary,
19 there will continue to be other ongoing equipment rental needs. The utility's equipment
20 rental expense is certainly not limited to the crane truck, and there are certain projects
21 which will require a crane apparatus with capabilities beyond the service truck with
22 crane, as testified to by Chris Johnson.

23 **Q. Do you agree with the use of the Annual Reports to calculate a 5-year average?**

1 A. No. I do not agree with Witness Schultz' calculating the 5-year average based on
2 information from the Annual Reports. Information found in the Utility's Annual
3 Reports are compiled on a December 31 basis while the test year is June 30, 2017. The
4 period for any calculated average should from July through June.

5

6 EMPLOYEE TRAINING

7 **Q. Do you agree with Witness Schultz' recommendation that the most appropriate**
8 **method for estimating employee training expense is a four-year average?**

9 A. No. I do not agree with Witness Schultz' recommendation that the most appropriate
10 method for estimating employee training expense is a four-year average. Rule 25-
11 30.437 F.A.C. states that the includable operations and maintenance cost in an
12 application for rate increase is the total test year expense. Rule 25-30.433(8), F.A.C.
13 states that non-recurring expenses shall be amortized over a five-year period. Employee
14 training expense, as indicated in Witness Schultz' testimony is not a non-recurring
15 expense and therefore the includable amount is the total test year actual expense.

16 Furthermore, Witness Schultz uses a historical calendar years for his analysis, which
17 exclude one-half of the entire test year. He performs no analysis to determine the cause
18 for an increase in training over time, and ignores that the test year amount is actually
19 lower than the 2016 calendar year amount.

20

21 BENEFIT EXPENSES AND PAYROLL TAXES

22 **Q. Do you agree that an adjustment to employee benefits and payroll taxes is warranted**
23 **if salaries and wages are adjusted?**

24 A. Yes. Since employee benefits and payroll taxes are a function of salaries and wages, it is

1 appropriate to adjust them proportionately, whether salaries and wages are increased or
2 reduced. Since I do not support a reduction in salaries and wages, I of course do not support
3 a reduction in benefits and payroll taxes.
4

5 RATE CASE EXPENSE

6 **Q. Have you reviewed Witness Schultz' testimony regarding rate case expense?**

7 A. Yes, I have. He observes that the Utility has not provided updated actual and estimated cost
8 information for completion of the case. We have provided that several times, most recently
9 in response to #63 of Staff's Third Interrogatories. I have included the updated rate case
10 expense in Schedule B-10 of my Exhibit DDS-2 consistent with the information provided in
11 that response. As is customary, KWRU will continue to provide copies of actual invoices
12 and estimates for completion as appropriate during the duration of the rate case.

13 It's worthwhile also pointing out that Witness Schultz notes that Smith Hawks and
14 Friedman and Friedman's hourly rates are very high, and "significantly higher in this case
15 than in KWRU's last rate case in Docket No. 20150071-SU." However, Friedman and
16 Friedman's hourly rate is \$370 per hour, compared to \$360 three years ago in that prior
17 Docket. Smith Hawks was \$350 per hour three years ago, compared to \$347.50 average rate
18 charged in this case. As of the date of this testimony, over 87% of the attorney hours billed
19 by Smith Hawks were billed by Nick Batty at a rate of \$275.00 per hour. KWRU has tasked
20 the lowest cost attorney on its legal team to respond to the voluminous discovery
21 propounded in this docket, which represents the bulk of the time expended. The Smith
22 Hawks average attorney rate to date is less than \$300.00
23

24 CAPITAL STRUCTURE / COST OF CAPITAL

25 **Q. Do you agree with Witness Schultz' testimony regarding the appropriate capital**

1 **structure and the cost of the various components?**

2 A. I do not agree with his assessment of Common Equity, where he expresses concern about a
3 difference in Common Equity between a workpapers provided, and Schedules A-19 and D-
4 2 of the MFRs. There are a couple of reasons. The first reason is a common accounting
5 practice, whereby current earnings are closed to retained earnings once a year at the
6 company's fiscal year end. As the company closes it books on December 31, and the test
7 year end is June 30, the company's balance sheet does not include a closing of the current
8 earnings against retained earnings except for the month December 31, 2016. "BS_Trial
9 Balance" includes no current earnings on the schedule showing total equity. On "BalSheet
10 Acct_PerAR" we included a line called "Net Income" in the calculation of common equity.

11

12 PRO FORMA PLANT ADDITIONS

13 **Q. Do you have any specific observations about the adjustments recommended by OPC**
14 **Witness Andrew Woodcock?**

15 A. Yes, although the specifics regarding individual proforma projects are addresses by Witness
16 Johnson, I did note that in his testimony, Witness Woodcock stated, "It is my opinion that,
17 of the \$129,763.75 included in Mr. Johnson's testimony, \$122,557.50 is associated with the
18 rehabilitation of the WWTP and should be included in rate base. The remaining \$7,205.75
19 should not be included." These costs he seeks to exclude were incurred in November 2016
20 and June 2017, which is during the test year, and if not capitalized, he should have added it
21 to Contractual Services - Engineering.

22

23 ADDITIONAL REVENUES AND CIAC FOR POST-TEST YEAR CUSTOMERS

24 **Q. Have you reviewed the testimony of Monroe County Witness J. Terry Deason?**

25 A. Yes, I have. Witness Deason's testimony proposes including additional revenues from

1 future possible customers as an adjustment to test year revenues, thereby reducing the
2 overall increase required by the Utility. He also proposed including contributions in aid of
3 construction (CIAC) from those future customers as a reduction to rate base. He explains
4 the Commission's authorization to do so, cites prior case justifying the use of a projected
5 test year (PSC-01-2511-PAA-WS), explains the "matching principle" as it applies to rate
6 cases, and argues that the conditions in this case warrant such treatment.

7 **Q. Do you agree with his proposal?**

8 A. No, I do not. I will address each of his points separately.

9 Commission Policy on Selection of a Test Year

10 Witness Deason first quotes Rule 25-30.430(1), FAC, which establishes the Commission
11 authority to approve the test year requested by the water or sewer utility prior to an
12 application for a general rate case.

13 **Q. What is the significance of this Rule?**

14 A. The significance to me of this Rule is that pursuant to the Rule, the Utility requested a
15 historical test year of twelve months ended June 30, 2017, and the Commission accepted
16 that test year. The utility relied on the Commission's acceptance of the proposed test year
17 when it then prepared its application for a rate increase.

18 **Q. Does Witness Deason agree that the historical test year accepted by the Commission is
19 appropriate?**

20 A. No, Witness Deason looks to a Commission Order from 1986 for Martin Downs Utilities,
21 Inc., where the Commission found that a projected test year was appropriate. However, as
22 he quoted from that order, "...Based upon historical data we anticipate Martin Downs will
23 continue to experience a rapid growth of demand for its services. Therefore, we believe a
24 projected test year is appropriate in this case."

25 **Q. Are the conditions in the case consistent with the Martin Downs case?**

1 A. No, not at all. In that case the Commission stated that the reason a projected test year was
2 appropriate was that they anticipated continued rapid growth. However, there is nothing in
3 KWRU's filing that would conclude that the Utility anticipates experiencing rapid growth.
4 On the contrary, the Utility has filed its case using the same non-used and useful percentage
5 approved by the Commission in its final order, Order No. PSC-17-0091-FOF-SU.

6 **Q. Does Witness Deason present any other justification for the use of a projected test**
7 **year?**

8 A. When asked, "Does the Commission have a preference for projected versus historic test
9 years", he answered that the Commission primarily relies on projected test years for electric
10 utilities. He then quoted a Supreme Court Case pertaining to a telephone company from
11 1983, which states, among other things, that projected test years may be effective in
12 minimizing regulatory lag.

13 **Q. Do you agree that the treatment by the Commission in electric and telephone cases**
14 **should be consistent with respect to the use of projected test years?**

15 A. It would only be appropriate if other issues were also treated consistently between electric
16 and telephone, and water and sewer. Without arguing the appropriateness of consistent
17 treatment among a number of issues, the bottom line is that few water and wastewater cases
18 brought before the Commission use projected test years.

19 **Q. Do you agree, however, that a projected test year may be effective in minimizing**
20 **regulatory lag?**

21 A. Whether a projected test year may be effective is irrelevant in this case, because the filing is
22 based on a historic test year. And regardless of whether a case is filed using a projected or
23 historic test year, there are some causes of regulatory lag that neither addresses. In any rate
24 application, the historical period is reflected. Inevitably, it shows that in the past year the
25 utility has not achieved its authorized return on equity and in most cases has experienced a

1 loss. This loss will never be recovered, no matter what the test year is. Projecting is not
2 going to solve this type of regulatory lag. In most of the cases I have filed, the rate
3 application is filed approximately six months after completion of the historical period.
4 During that time, the loss which precipitated the need for a rate increase has continued. The
5 best the utility can hope for is to have interim rates approved quickly, but the incurred
6 losses are never recovered for that period of time. No projection is going to ever make that
7 utility whole. Furthermore, a projected test year incorporates projected billing units, which
8 alone will result in a lower per unit rate, reducing even further the opportunity to fully
9 recover.

10 **Q. Does Witness Deason cite any other water and sewer cases that use a projected test**
11 **year?**

12 A. Yes, he describes that in a staff assisted rate case from 2001, Burkim Enterprises, Inc.,
13 Commission Order No. PSC-01-2511-PAA-WS, stated that a projected test year was used
14 "Because the utility is growing at an exceptionally high rate (29 connections per year), rates
15 based on historical data alone will be significantly different than rates based on current or
16 even future conditions..."

17 **Q. Does Witness Deason correlate the "rapid growth" or "exceptionally high rate" of**
18 **growth to the conditions at KWRU?**

19 A. No, he doesn't. What he says is that the inclusion of proforma plant and expense (alone)
20 necessitate the inclusion of revenues from future customers.

21 **Q. Is he recommending the use of a projected test year?**

22 A. No, not at all. On the contrary he states that the County has no objection to the selected test
23 year, "per se". Rather, the only projection he recommends is to revenues and CIAC.

24 **Q. What other argument does Witness Deason present to justify the inclusion of revenues**
25 **from future customers?**

1 A. He provides an accounting definition of the matching principle, and states that this principle
2 in the regulatory arena, "...requires that the utility's rates be set using the utility's costs,
3 investments, revenues, and sales units from the same time period, and that they be
4 representative of the time period in which the new rates will be in effect." Witness Deason
5 then goes on to say that whenever investment is made "to serve a growing customer base or
6 growing customer demands for service, or both..." that additional revenues from future
7 customers should be used.

8 **Q. What do you find wrong with this argument?**

9 A. First, when asked in his testimony, "If there is credible evidence that the gallonage of
10 wastewater treated and billed by KWRU is likely to be greater during the time that rates
11 will be in effect, should the Commission take that evidence into account when setting
12 KWRU's rates in this case," he answers, "If the amount of wastewater treated and billed by
13 KWRU is to be higher during this extended period, the rates should be based on such
14 greater usage." He presents no evidence, nor claim, that the amount of wastewater treated
15 and billed will be higher.

16 **Q. Do you agree that the conditions in this case are similar to the prior KWRU case, test**
17 **year December 31, 2014?**

18 A. No. Witness Deason uses that case to show that the basis of the adjustments made by the
19 Commission to address the passage of time was the use of the matching principle.

20 **Q. What conditions were different between this case and that case?**

21 A. First, in that case, the Final Order was more than two years after the end of the test year. As
22 time went on, more and more actual data was available from which to evaluate for possible
23 adjustments. This case will have a final order within 14 months of the end of the test year.
24 Second, the proforma plant and expense adjustments proposed by KWRU in that case were
25 in a large part due to customer growth which is not true in the instant case.

1 **Q. What final arguments do you have to Witness Deason's testimony?**

2 A. I will summarize point by point:

3 1. Water and Sewer utilities are not treated consistently with electric and telephone
4 utilities as it applies to the use of projected versus historical test years.

5 2. In the two water/sewer cases cited, Martin Downs and Burkim, the rationale for the use
6 of a projected test year was continued rapid growth and extraordinarily high growth,
7 neither of which apply in this case.

8 3. Even if the two cases above did apply, Witness Deason is not proposing the use of a
9 projected test year, and is only proposing the inclusion of revenues and CIAC from
10 future customers.

11 4. His claim that proforma plant and proforma expenses are related to customer growth is
12 inaccurate. I reviewed KWRU Witness Johnson's testimony and found that none of the
13 proforma adjustment - neither expenses nor capital costs, is related to growth.

14 5. It is inappropriate to use the matching principle as justification for the addition of
15 revenues and CIAC from future customers, giving no consideration to the impact those
16 customers have on other components included in the MFRs.

17 **Q. Have you reviewed the testimony of Monroe County Witness Jeffrey Small?**

18 A. Yes, I have.

19 **Q. Can you describe the issues raised by Witness Small and address each?**

20 A. First, he calculates the revenues that may be derived from future customer using the
21 projected billing determinants identified in the testimony provided by Monroe County Witness
22 Kevin G. Wilson, P.E. However, he also goes on to claim that future billing determinants must be
23 used so that resulting rates are fair, and this is consistent with the "matching principle".

24 **Q. Do you agree with Witness Small argument regarding the appropriateness of using**
25 **revenues from future customers?**

1 A. No, as I stated in my argument with County Witness Deason's testimony, this is not the
2 appropriate use of the matching principle in that it only incorporates two factors, it is not
3 the appropriate conditions to apply the matching principle in that the proforma adjustments
4 are unrelated to future growth.

5 **Q. Do you have any further arguments to the inclusion of revenues from future**
6 **customers?**

7 A. Yes. If for some reason the Commission decides it is appropriate to include future revenues,
8 they need to consider and include all of the additional costs associated with providing
9 service to those additional customers. This is particularly critical since KWRU's MFRs do
10 not include any future cost of providing service to future customers. As testified by
11 Witness Johnson, the EDU calculations performed by Witness Kevin Wilson which
12 underlie the reductions proposed by Witness Small are unsupported, just as his projections
13 in the prior rate case were proven incorrect in actuality. KWRU has consistently
14 underestimated costs, and there is no basis to accept the calculations prepared by Kevin
15 Wilson.

16 **Q. Are there any adjustments to the MFRs you would make to recognize future**
17 **conditions in this case?**

18 A. Yes, of course. First I would revise any of the proforma adjustments made in the case to
19 reflect additional information that has come to light. This is commonly done, and
20 appropriate. I have identified some in my testimony, and Witness Johnson has provided
21 several as well. These adjustments should be made whether they are increases or decreases.
22 Additionally, changes come to light after filing the rate case that should be incorporated
23 into the MFRs, One such example is the increase in debt cost as a result of the increase in
24 the Fed prime rate to 4.75% on March 22, 2018. Exhibit DDS-6 shows the current prime
25 rate and effective date published by the Wall Street Journal. Since KWRU's long term debt

1 is tied to the prime rate, the cost of long debt should be adjusted. Although there is
2 expectation that there will be additional adjustments to the prime rate this year, I am
3 recommending an adjustment for only the increase effective last month. The impact is to
4 increase KWRU's long term debt interest rate from 4.75% to 5.25%, and increases the
5 overall rate of return to 7.7%.

6 **Q. What is the impact of the adjustments you have made to the MFRs?**

7 A. I have provided the impact of this and all of the other adjustments I have made in my
8 Exhibit DDS-2, which includes revisions to MFR Schedules A-2, A-3, B-2, B-3, B-6, B-10,
9 B-14, D-1, D-6 and E-1, and DDS-8, which lists the adjustments contained in those
10 schedules.

11 **Q. The Utility provided revised schedules after the MFRs were complete. Can you
12 explain the revisions?**

13 A. An adjustment was made to increase personal property taxes. The Utility adjusted property
14 taxes to account for pro forma plant additions net of accumulation depreciation but did not
15 make an adjustment for net plant of \$2,297,429 added during January through June 2017
16 that was not included in the payment of property tax in November 2016. At a millage rate of
17 9.4797 the MFRs were revised to reflect an increase of \$21,779 to property tax expense.

18 The Utility revised the B-6 and B-8 to correct a data entry error. During discovery, the
19 Utility realized that in the month of February, the monthly amounts from the GL were
20 uploaded onto the wrong rows on the B-6 which then flowed to the B-8. While the total
21 O&M expenses for the test year was correct, the annual amounts for the following accounts
22 were incorrect:

23 711 Sludge Removal Expense

24 715 Purchased Power

25 718 Chemicals

- 1 720 Materials and Supplies
- 2 735 Contractual Services - Testing
- 3 742 Rental of Equipment
- 4 770 Bad Debt Expense
- 5 775 Miscellaneous Expense

6 The corrected amounts were provided in a series of Interrogatories, and the B-6 and B-8
7 were revised to reflect the correct annual amounts.

8 The Utility also revised the B-10 schedule to include unamortized rate case expenses from
9 the prior rate case.

10 **Q. Does that conclude your rebuttal testimony?**

11 A. Yes, it does.

Schedule of Wastewater Rate Base

Company: K W Resort Utilities Corp
 Docket No.: 20170141-SU
 Schedule Year Ended: 06/30/2017
 Interim [] Final [X]
 Historic [X] Projected []

Explanation: Provide the calculation of average rate base for the test year, showing all adjustments. All non-used and useful items should be reported as Plant Held For Future Use.

(1)	(2)	(3)	(4)	(5)	
Line No.	Description	Average Amount Per Books	A-3 Utility Adjustments	Adjusted Utility Balance	Supporting Schedule(s)
1	Utility Plant in Service	\$ 13,541,772	\$ 5,335,353 (A)	\$ 18,877,125	A-3, A-6
2					
3	Utility Land & Land Rights	375,000		375,000	A-3, A-6
4					
5	Less: Non-Used & Useful Plant	-	(2,698,931) (B)	(2,698,931)	A-7
6					
7	Construction Work in Progress	1,311,463	(1,311,463) (C)	-	A-3, A-7
8					
9	Less: Accumulated Depreciation	(6,490,653)	1,349,809 (D)	(5,140,844)	A-3, A-10
10					
11	Less: CIAC	(10,406,318)		(10,406,318)	A-3, A-12
12					
13	Accumulated Amortization of CIAC	3,898,064		3,898,064	A-3, A-14
14					
15	Acquisition Adjustments				-
16					
17	Accum. Amort. of Acq. Adjustments				-
18					
19	Advances For Construction				A-3, A-16
20					
21	Working Capital Allowance	-	2,269,090 (E)	2,269,090	A-3, A-17
22					
23	Total Rate Base	\$ 2,229,328	\$ 4,943,859	\$ 7,173,187	

Schedule of Adjustments to Rate Base

Company: K W Resort Utilities Corp

Docket No.: 20170141-SU

Schedule Year Ended: 06/30/2017

Interim [] Final [X]

Historic [X] Projected []

Schedule: A-3 (Revised)

Page 1 of 2

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide a detailed description of all adjustments to rate base per books, with a total for each rate base line item.

Line No.	Description	Wastewater
1	(A) Utility Plant in Service	
2	(1) Reclass AWT Plant Expansion	
3	354.4 Structures & Improvement	\$ (544,573)
4	364.2 Flow Measuring Devices	24,201
5	380.4 Treatment & Disposal Equipment	489,573
6	381.4 Plant Sewers	30,800
7	(2) Reclass AWT Plant Expansion that should have been expensed	
8	354.4 Structures & Improvement	(405)
9	(3) Annualize AWT Plant Expansion	
10	354.4 Structures & Improvement	2,383,494
11	364.2 Flow Measuring Devices	54,451
12	380.4 Treatment & Disposal Equipment	1,101,539
13	381.4 Plant Sewers	69,300
14	(4) 354.4 Retire Vacuum Structure	(390,285)
15	Total Test Year Adjustment to Utility Plant in Service	\$ 3,218,095
16	(5) Pro Forma Plant Additions:	
17	354.3 Lift Station	146,393
18	380.4 WWTP Rehabilitation	1,165,523
19	380.4 Chlorine Contact Chamber	1,109,960
20	380.4 Sludge Drying Beds	15,450
21	380.4 Generator	390,551
22	371.3 Tow behind generator	57,916
23	396.7 Telephone System	11,009
24	391.7 Service Truck with Crane	65,105
25	354.7 Office Structures & Improvements	288,000
26	395.7 New sandsifter	43,110
27	(6) Plant Retirements due to Pro Forma Plant Additions	
28	395.7 Retire old sandsifter	(36,443)
29	354.5 Retire old office building	(68,795)
29	371.3 Retire old Lift Station	(109,795)
30	380.4 Retire old Chlorine Contact Chamber	(832,470)
31	380.4 Retire old Generator	(128,257)
32	Total Pro Forma Adjustment to Utility Plant in Service	\$ 2,117,258
33		
34	Total Adjustments to Utility Plant in Service	\$ 5,335,353
35	(B) Non-Used & Useful Adjustment	
36	Plant in Service	3,475,862
37	Accumulated Depreciation	(776,931)
38	Total Non-Used & Useful Adjustments to Utility Plant in Service	\$ 2,698,931
39		
40	(C) Construction Work in Progress	
41	Remove CWIP	\$ (1,311,463)
42		
43	(D) Accumulated Depreciation	
44	(1) Adjustment to annualize Accum Depr for plant added during the Test Year	
45	354.4 Structures & Improvements	63,736
46	360.2 Collection Sewer Force	3,839
47	364.2 Flow Measuring Devices	7,865
48	371.3 Pumping Equipment	764
49	375.6 Reuse Trans/Dist	2,358
50	380.4 Treatment & Disposal Equipment	44,951
51	381.4 Plant Sewers	1,430
52	390.7 Office Furniture	132
53	(2)354.4 Retire Vacuum Structure	(390,285)
54	Total Test Year Adjustment to Accumulated Depreciation	(265,211)

Schedule of Adjustments to Rate Base

Company: K W Resort Utilities Corp

Docket No.: 20170141-SU

Schedule Year Ended: 06/30/2017

Interim [] Final [X]

Historic [X] Projected []

Page 2 of 2

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide a detailed description of all adjustments to rate base per books, with a total for each rate base line item.

Line No.	Description	Wastewater
1	(3) Pro Forma Plant Additions	
2	354.3 Replace Lift Station	2,437
3	380.4 WWTP Rehabilitation	32,402
4	380.4 Chlorine Contact Chamber	30,857
5	380.4 Sludge Drying Beds	430
6	380.4 Generator	10,857
7	371.3 Tow behind generator	1,610
8		
9	396.7 Telephone System	550
10	391.7 Service Truck with Crane	5,427
11	354.7 Office Structures & Improvements	4,795
12	395.7 New sandsifter	1,796
13		
14	(4) Pro Forma Plant Retirements	
15	395.7 Retire old sandsifter	(36,443)
16	354.5 Retire old office building	(68,795)
17	371.3 Retire old Lift Station	(109,795)
18	380.4 Retire old Chlorine Contact Chamber	(832,470)
19	380.4 Retire old Generator	(128,257)
20	Total Pro Forma Adjustments to Accumulated Depreciation	\$ (1,084,599)
21		
22	Total Adjustments to Accumulated Depreciation	\$ (1,349,809)
23		
24	(E) Working Capital	
25	Per Schedule A-17	2,133,620
26	Unamortized rate case expense prior rate case (1/2 of one year)	(53,854)
27	Last stand amortization (1/2 of one year)	(49,697)
28	Proforma Unamortized portion of hurricane expense (Total minus 1/2 year	
29	amortization)	239,021
30	Total Working Capital	\$ 2,269,090

Schedule of Wastewater Net Operating Income

Company: K W Resort Utilities Corp
 Docket No.: 20170141-SU
 Test Year Ended: 06/30/2017
 Interim [] Final [X]
 Historic [X] Projected []

Schedule: B-2 (Revised)
 Page 1 of 1
 Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide the calculation of net operating income for the test year. If amortization (Line 4) is related to any amount other than an acquisition adjustment, submit an additional schedule showing a description and calculation of charge.

Line No.	(1) Description	(2) Balance Per Books	(3) Utility Test Year Adjustments	(4) Utility Adjusted Test Year	(5) Requested Revenue Adjustment	(6) Requested Annual Revenues	(7) Supporting Schedule(s)
1	OPERATING REVENUES	\$ 2,130,307	\$ 202,220 (A)	\$ 2,332,526	\$ 1,429,184 (A)	\$ 3,761,710	B-4, B-3
2							
3	Operation & Maintenance	1,720,331	847,534 (B)	2,567,866		2,567,866	B-6, B-3
4							
5	Depreciation, net of CIAC Amort.	144,159	185,883 (C)	330,042		330,042	B-14, B-3
6							
7	Amortization			-		-	
8							
9	Taxes Other Than Income	175,513	71,641 (D)	247,154	64,313 (D)	311,467	B-15, B-3
10							
11	Provision for Income Taxes			-		-	C-1, B-3
12							
13	OPERATING EXPENSES	2,040,004	1,105,058	3,145,062	64,313	3,209,375	
14							
15	NET OPERATING INCOME	\$ 90,303	\$ (902,838)	\$ (812,535)	\$ 1,364,871	\$ 552,335	
16							
17							
18	RATE BASE	\$ 2,229,328	\$ 4,943,859	\$ 7,173,187		\$ 7,173,187	
19							
20							
21	RATE OF RETURN	4.05 %		--	%	7.70%	

Schedule of Adjustments to Operating Income

Company: K W Resort Utilities Corp

Docket No.: 20170141-SU

Schedule Year Ended: 06/30/2017

Interim [] Final [X]

Historic [X] Projected []

Florida Public Service Commission

Schedule: B-3 (Revised)

Page 1 of 2

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide a detailed description of all adjustments to operating income per books, with a total for each line item shown on the net operating income statement.

Line No.	Description	Wastewater
1	(A) Adjustments to Revenues	
2	(1) Prior Period Billings	
3	(a) Adj. for prior period 4/2009 - 4/2016 overbillings: Meridian West	72,701
4	(b) Adjustment for prior period 5/2011- 3/2016 overbillings: Flagler Village	43,403
5	(c) Adjustment for prior period 6/2013- 5/2016 overbillings: Banyan Grove	25,513
6	(d) Adjust Reuse revenues for prior period June 2016 billing	(3,947)
7	Total adjustment for prior period billings	<u>137,670</u>
8		
9	(2) Customer Refunds per Docket No. 150071-SU	<u>165,832</u>
10		
11	(3) Annualized Revenue	
12	Annualized water/sewer revenues per Schedule E-2	\$2,341,475
13	Test Year water/sewer revenues per Schedule E-2	<u>2,442,758</u>
14	Annualized Revenue Adjustment	(101,282)
15		
16	Total Adjustment to Test Year Revenue	<u>\$ 202,220</u>
17		
18	(4) Revenue Increase	
19	Increase in revenue required by the Utility to realize a	
20	7.70% % rate of return	<u>\$ 1,429,184</u>
21		
22	Total Adjustments to Revenues	<u><u>\$ 1,631,404</u></u>
23		
24	(B) Adjustments to Operations & Maintenance Expenses	
25	(1) Test Year Adjustments	
26	(a) 734 Contractual Services - Mgmt. Fees	
27	To remove outside management fees	\$ (47,097)
28	(b) 766 Adjustment to amortize prior rate case expense	107,707
29	(c) 775 Adjustment to amortize Last Stand Deferred Expenses	99,395
30	(d) 775 Adjustment to reclass Miscellaneous Exp from 354 Structures & Imprv.	405
31	Total Test Year Adjustments to Operations & Maintenance Expenses	<u>\$ 160,410</u>
32		
33	(2) Pro Forma Adjustments to Operations & Maintenance Expenses	
34	(a) To reflect annualized O&M expenses:	
35	701 Salaries & Wages - Employees	<u>167,564</u>
36	701 Salaries & Wages - Employees: OT extraordinary event	
37	1,302 hrs of OT for 42 day period amortized over 5 years	10,605
38	703 Salaries & Wages - Officers, Etc.	<u>17,127</u>
39	704 Employee Pensions & Benefits:	
40	TY actual 20.67% X proforma salaries	<u>38,176</u>
41	Incremental cost of implementing a traditional pension plan	35,768
42	711 Sludge Hauling	46,724
43	715 Purchased Power	79,014
44	718 Chemicals	<u>88,688</u>
45	757 Insurance - General Liability	17,633
46	758 Insurance - Workman's Comp.	<u>7,373</u>
47	(b) 775 Adjustment for additional cost of fiber for telephone expense	12,380
48	775 Monthly POTS line for dedicated alarm system	960
49	(c) 775 Adjustment to Miscellaneous Exp for hurricane expenses amortized over 4 years	<u>68,292</u>
50	Total pro forma adjustments to O & M Expense	<u>\$ 590,303</u>
51		
52	(3) Amortization of rate case expense per Schedule B-10	<u>\$ 96,821</u>
53		
54	Total Adjustment required to O&M Expenses	<u><u>\$ 847,534</u></u>

Schedule of Adjustments to Operating Income

Company: K W Resort Utilities Corp

Docket No.: 20170141-SU

Schedule Year Ended: 06/30/2017

Interim [] Final [X]

Historic [X] Projected []

Florida Public Service Commission

Schedule: B-3 (Revised)

Page 2 of 2

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide a detailed description of all adjustments to operating income per books, with a total for each line item shown on the net operating income statement.

1	(C) Adjustments to Depreciation Expense	
2	(1) Annualize depreciation expense for plant additions during TY	
3	354.4 Structures & Improvements	95,604
4	360.2 Collection Sewer Force	4,479
5	364 Flow Measuring Devices	11,798
6	371.3 Pumping Equipment	1,048
7	375.6 Reuse Trans/Dist	2,751
8	380.4 Treatment & Disposal Equipment	67,356
9	381 Plant Sewers	2,145
10	390.7 Office Furniture	131
11		
12	Total Depr Expense -Test Year Adjustments	<u>\$ 185,311</u>
13		
14	(2) Depreciation expense related to Pro Forma plant additions	
15	354.4 Replace Lift Station	4,875
16	380.4 WWTP Rehabilitation	64,803
17	380.4 Chlorine Contact Chamber	61,714
18	380.4 Sludge Drying Beds	859
19	380.4 Generator (WWTP)	21,715
20	371.3 Tow Behind Generator (lift stations)	3,220
21	396.7 Telephone System	1,101
22	391.7 Service Truck with Crane	10,853
23	354.7 Office Structures & Improvements	9,590
24	395.7 Power Operated Equipment	3,591
25		
26	(3) Adjust depreciation expense for plant retirement	
27	354.4 Vacuum Station Structure (February 2017)	(4,293)
28	395.7 Power Operated Equipment (Sand sifter)	(3,037)
29	355.4 Power Generated Equipment	(6,413)
30	354.7 Office Structures & Improvements	(2,293)
31	Total Depr Expense - Pro Forma Plant additions	<u>\$ 166,285</u>
32		
33	(4) Non Used & Useful Adjustment to Depreciation Expense	<u>\$ (165,713)</u>
34		
35	Total Adjustment to Depreciation Exp, Net of Amortization	<u>\$ 185,883</u>
36		
37	(D) Adjustments to Taxes Other Than Income	
38	(1) Adjust Payroll Taxes for pro forma salary increase	<u>\$ 12,819</u>
39		
40	(2) To adjust test year RAF's for adjusted test year revenues	\$ 2,332,526
41		0.045
42	RAF for adjusted Test year Revenues	104,964
43	RAFs per books	(98,730)
44	RAF Adjustment Required for Adjusted Test Year Revenues	<u>\$ 6,234</u>
45		
46	(3) Adjust Property Taxes	
47	(a) To adjust to property tax paid	<u>\$ 386</u>
48	(b) Total Net Plant Additions	\$ 6,685,162
49	Millage rate	9.4797
50	Increase in ad valorem taxes for plant additions	<u>\$ 63,373</u>
51	(c) Nonused and useful (NUU plant x 9.4797 millage)	<u>\$ (32,950)</u>
52	(d) To adjust property tax for plant additions from January -June 2017	
53	Total Net Plant additions	\$ 5,780,735
54	Less Plant included in line 48	<u>\$ (3,483,306)</u>
55	Additional Amount subject to Property Tax	\$ 2,297,429
56	Millage rate	9.4797
57	Increase in ad valorem taxes for plant additions	<u>\$ 21,779</u>
58	Total Adjustments to Property Taxes	<u>\$ 52,202</u>
59		
60	Sub-Total Adjustments to TOTI	<u>\$ 71,641</u>
61	(5) To adjust RAF's for requested revenues	
62	(a) Total RAF Adjustments due to Requested Increase	<u>\$ 64,313</u>
63		
64	Total Adjustment Taxes Other Than Income	<u>\$ 135,954</u>

Detail of Operation & Maintenance Expenses By Month - Wastewater

Company: K W Resort Utilities Corp
 Docket No.: 20170141-SU
 Schedule Year Ended: 06/30/2017
 Historic [X] Projected []

Explanation: Provide a schedule of operation and maintenance expenses by primary account for each month of the test year. If schedule has to be continued on 2nd page, reprint the account titles and numbers.

Schedule: B-6 (Revised)
 Page 1 of 1
 Preparer: Milian, Swain & Associates, Inc.
 Recap Schedules: B-2

Line No.	(1) Account No. and Name	(2)	(3)	(4)	(5)	(6)	(7)	Total Exp	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
		2016 Jul	2016 Aug	2016 Sep	2016 Oct	2016 Nov	2016 Dec	Jan-Dec 2016	2017 Jan	2017 Feb	2017 Mar	2017 Apr	2017 May	2017 Jun	Total Annual	Adj.	Adj. Total Annual
1	701 Salaries & Wages - Employees	\$ 51,184	\$ 45,830	\$ 39,729	\$ 39,723	\$ 50,889	\$ 58,766	\$ 286,121	\$ 38,001	\$ 46,440	\$ 36,731	\$ 40,630	\$ 45,207	\$ 47,935	\$ 541,065	\$ 178,169	\$ 719,234
2	703 Salaries & Wages - Officers, Etc.	\$ 18,955	\$ 19,877	\$ 19,877	\$ 19,877	\$ 19,877	\$ 21,277	\$ 119,738	\$ 19,877	\$ 22,211	\$ 20,543	\$ 20,543	\$ 21,752	\$ 20,960	245,624	17,127	262,751
3	704 Employee Pensions & Benefits	\$ 12,323	\$ 11,925	\$ 16,129	\$ 11,511	\$ 15,387	\$ 13,937	\$ 81,213	\$ 12,587	\$ 14,012	\$ 13,044	\$ 11,590	\$ 13,634	\$ 16,516	162,596	73,944	236,540
4	710 Purchased Sewage Treatment							-							-		-
5	711 Sludge Removal Expense	2,739	2,647	2,778	2,867	2,801	-	13,832	27,375	23,863	37,943	3,262	7,453	4,397	118,124	46,724	164,848
6	715 Purchased Power	11,350	11,642	11,554	10,692	11,791	13,189	70,217	12,387	12,997	13,639	18,323	16,193	17,336	161,092	79,014	240,106
7	716 Fuel for Power Purchased							-							-		-
8	718 Chemicals	12,870	12,470	13,778	14,199	14,526	17,592	85,435	17,808	12,466	5,751	3,698	5,955	11,941	143,053	88,688	231,742
9	720 Materials & Supplies	3,077	6,126	2,842	2,137	2,730	4,180	21,092	3,114	3,448	5,382	3,220	2,459	4,034	42,751		42,751
10	731 Contractual Services - Engr.	-	11,999	-	595	143	618	13,354	380	808	1,045	1,330	238	3,611	20,765		20,765
11	732 Contractual Services - Acct.	525	525	675	525	525	525	3,300	2,750	3,113	525	938	900	525	12,050		12,050
12	733 Contractual Services - Legal	372	249	1,089	340	120	250	2,420	-	318	252	1,206	4,242	2,742	11,179		11,179
13	734 Contractual Services - Mgmt. Fees	5,000	5,000	5,000	5,000	5,000	5,000	30,000	5,000	5,000	5,000	2,097	-	-	47,097	(47,097)	-
14	735 Contractual Services - Testing	1,000	1,874	1,569	2,059	1,150	4,525	12,177	2,043	1,333	1,009	500	866	500	18,429		18,429
15	736 Contractual Services - Other	1,513	5,198	2,639	992	3,264	8,884	22,490	1,990	2,572	3,013	4,889	4,106	4,230	43,290		43,290
16	741 Rental of Building/Real Prop.	-	-	-	-	100	-	100	-	-	-	-	414	-	514		514
17	742 Rental of Equipment	-	-	-	-	-	-	-	-	-	465	711	-	304	1,479		1,479
18	750 Transportation Expenses	1,596	2,413	1,330	1,382	2,150	4,644	13,515	1,448	2,774	2,810	1,340	1,901	2,120	25,908		25,908
19	756 Insurance - Vehicle	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
20	757 Insurance - General Liability	3,547	3,166	3,532	3,532	3,723	3,723	21,222	3,666	3,666	3,666	3,666	3,666	3,666	43,216	17,633	60,849
21	758 Insurance - Workman's Comp.	2,409	2,257	2,038	2,051	2,400	2,743	13,897	1,984	2,323	1,962	2,101	2,298	2,669	27,234	7,373	34,607
22	759 Insurance - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
23	760 Advertising Expense	-	487	320	-	33	537	1,376	160	749	200	967	1,981	371	5,803		5,803
24	766 Reg. Comm. Exp. - Rate Case Amort.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	204,528	204,528
25	767 Reg. Comm. Exp. - Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-		-
26	770 Bad Debt Expense	-	-	-	-	-	-	-	-	2,443	-	-	-	-	2,443		2,443
27	775 Miscellaneous Expenses	3,432	5,491	1,776	3,473	3,643	4,115	21,929	3,169	4,809	4,396	3,316	4,318	4,680	46,617	180,471	227,089
28																	
29	TOTAL	\$ 131,892	\$ 149,174	\$ 126,652	\$ 120,954	\$ 140,252	\$ 164,504	\$ 833,427	\$ 153,739	\$ 165,343	\$ 157,378	\$ 124,326	\$ 137,582	\$ 148,537	\$ 1,720,331	\$ 846,574	\$ 2,566,906

Analysis of Rate Case Expense

Company: K W Resort Utilities Corp

Docket No.: 20170141-SU

Test Year Ended: 06/30/2017

Schedule: B-10 (Revised)

Page 1 of 1

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide the total amount of rate case expense requested in the application. State whether the total includes the amount up to proposed agency action or through a hearing before the Commission. Provide a list of each firm providing services for the applicant, the individuals for each firm assisting in the application, including each individual's hourly rate, and an estimate of the total charges to be incurred by each firm, as well as a description of the type of services provided. Also provide the additional information for amortization and allocation method, including support behind this determination.

(1)	(2)	(3)	(4)	(5)	(6)	
Line No.	Firm or Vendor Name	Counsel, Consultant or Witness	Hourly Rate Per Person	Hours	Total Estimate of Charges by Firm	Type of Service Rendered
1	Milian, Swain & Associates	Deborah Swain	\$ 200.00	402.25	80,450	MFRs, data requests, audit facilitation, preparation and attendance at hearing
2	Milian, Swain & Associates	Cynthia Yapp	150.00	633.75	95,063	MFRs, data requests, audit facilitation
3	Milian, Swain & Associates	n/a			1,606	Various Expenses (travel, photocopies, phone calls)
4	Friedman & Friedman, P.A.	Martin Friedman	370.00	101.50	37,555	Legal Fees
5	Friedman & Friedman, P.A.	n/a			2,249	Various Expenses (travel, photocopies, phone calls) associated with legal fees
		Barton W. Smith & Nick				
6	Smith Hawks	Batty	347.50	413.62	143,732	Legal Fees
7	Smith Hawks	n/a			1,711	Various Expenses (travel, photocopies, phone calls) associated with legal fees
8	M&R Consultants	Frank Seidman	150.00	125.50	18,825	U&U Analysis, Assist w/ MFRs, data requests, audit facilitation
9	M&R Consultants	n/a			1,595	Various Expenses (travel, photocopies, phone calls)
10	Public Service Commission				4,500	Filing Fee
11	K W Resort Utilities Corp					Printing and shipping Expenses
12						
13	Estimate Through				\$ 387,286	
14	[x] Commission Hearing					
15						
16	Amortization Period 4 Years					
17	Explanation if different from Section 367.0816, Florida					
18						
19	Amortization of Rate Case Expense:					
20						
21		(A)	(B)	(C)		
22		Water	Wastewater	Total		
23	Prior unamortized rate case expenses		\$ 430,828	\$ 430,828		
24	Current rate case expense		387,286	387,286		
25	Total projected rate case expense	-	818,114	818,114		
26	Annual Amortization	\$ -	\$ 204,528	\$ 204,528		

REBUTTAL TESTIMONY OF DEBORAH D. SWAIN
DOCKET NO.: 20170141-SU
EXHIBIT DDS-2

UPDATED SELECT MER SCHEDULES

Florida Public Service Commission
Page 10 of 13
Schedule B-14 (Revised)

Page 1 of 1

Preparer: Milian, Swain & Associates, Inc.

Recap Schedules: B-2

Net Depreciation Expense - Wastewater

Company: K W Resort Utilities Corp

Docket No.: 20170141-SU

Test Year Ended: 06/30/2017

Historic [X] Projected []

Explanation: Provide a schedule of test year non-used and useful depreciation expense by primary account

Line No.	(1) Account No. and Name	(2) Test Year Expense	(3) Utility Adjustments	(4) Adjusted Balance	(5) Non-Used & Useful %	(6) Non-Used & Amount
1	INTANGIBLE PLANT					
2	351.1 Organization			-		
3	352.1 Franchises	2,322		2,322		
4	389.1 Other Plant & Misc. Equipment			-		
5	COLLECTION PLANT					
6	353.2 Land & Land Rights			-		
7	354.2 Structures & Improvements			-		
8	355.2 Power Generation Equipment	10,850		10,850		
9	360.2 Collection Sewers - Force	129,704	4,479	134,183		
10	361.2 Collection Sewers - Gravity	27,746		27,746		
11	362.2 Special Collecting Structures			-		
12	363.2 Services to Customers	2,545		2,545		
13	364.2 Flow Measuring Devices		11,798	11,798	28.50%	3,362
14	365.2 Flow Measuring Installations			-		
15	389.2 Other Plant & Misc. Equipment			-		
16	SYSTEM PUMPING PLANT					
17	353.3 Land & Land Rights			-		
18	354.3 Structures & Improvements	29		29		
19	370.3 Receiving Wells	29,421		29,421		
20	371.3 Pumping Equipment	11,227	4,268	15,495		
21	389.3 Other Plant & Misc. Equipment			-		
22	TREATMENT AND DISPOSAL PLANT					
23	353.4 Land & Land Rights					
24	354.4 Structures & Improvements	104,649	96,186	200,835	28.50%	57,238
25	355.4 Power Generation Equipment		(6,413)	(6,413)		
26	371.4 Pumping Equipment	435		435		
27	380.4 Treatment & Disposal Equipment	149,403	216,447	365,850	28.50%	104,267
28	381.4 Plant Sewers	822	2,145	2,967	28.50%	846
29	382.4 Outfall Sewer Lines			-		
30	389.4 Other Plant & Misc. Equipment			-		
31	RECLAIMED WATER DISTRIBUTION PLANT					
32	366.6 Reuse Services			-		
33	367.6 Reuse Mtr/Installations			-		
34	374.5 Reuse Dist Reservoirs			-		
35	375.6 Reuse Trans. And Dist. System	9,691	2,751	12,442		
36	371.5 Pumping Equipment			-		
37	389.5 Other Plant & Misc Equipment			-		
38	GENERAL PLANT					
39	353.7 Land & Land Rights			-		
40	354.7 Structures & Improvements		7,297	7,297		
41	390.7 Office Furniture & Equipment	1,712	1,232	2,943		
42	391.7 Transportation Equipment	13,374	10,853	24,227		
43	392.7 Stores Equipment	103		103		
44	393.7 Tools, Shop & Garage Equipment	935		935		
45	394.7 Laboratory Equipment	1,480		1,480		
46	395.7 Power Operated Equipment	5,483	554	6,038		
47	396.7 Communication Equipment			-		
48	397.7 Miscellaneous Equipment			-		
49	398.7 Other Tangible Plant			-		
50	TOTAL	\$ 501,932	\$ 351,596	\$ 853,528		\$ 165,713
51	LESS: AMORTIZATION OF CIAC	(357,774)		(357,774)		
52						
53	NET DEPRECIATION EXPENSE - SEWER	\$ 144,159	\$ 351,596	\$ 495,755		\$ 165,713

REBUTTAL TESTIMONY OF DEBORAH D. SWAIN
DOCKET NO.: 20170141-SU
EXHIBIT DDS-2
UPDATED SELECT MFR SCHEDULES
Page 11 of 13

Schedule of Requested Cost of Capital
13 Month Average Balance

Florida Public Service Commission

Company: K W Resort Utilities Corp
Docket No.: 20170141-SU
Test Year Ended: 06/30/2017
Interim Final
Historical Projected

Schedule D-1 (Revised)
Page 1 of 1

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide a schedule which calculates the requested cost of capital on a 13-month average basis. If a year-end basis is used, submit an additional schedule reflecting year-end calculations.

Line No.	(1) Class of Capital	(2) Reconciled to Requested Rate Base AYE 06/30/17	(3) Ratio	(4) Cost Rate	(5) Weighted Cost
1	Long Term Debt	\$ 3,525,749	49.15%	5.39%	2.65%
2	Short Term Debt	-			
3	Preferred Stock	-			
4	Common Equity	3,446,398	48.05%	10.39%	4.99%
5	Customer Deposits	201,041	2.80%	2.00%	0.06%
6	Tax Credits - Zero Cost	-			
7	Tax Credits - Weighted Cost	-			
8	Accumulated Deferred Income Tax	-			
9	Other (Explain)	-			
10		-----	-----		-----
11	Total	<u>\$ 7,173,188</u>	<u>100.00%</u>		<u>7.70%</u>

Note: The cost of equity is based on the leverage formula in effect pursuant to Order No. PSC-11-0287-PAA-WS

Supporting Schedules: D-2
Recap Schedules: A-1, A-2

REBUTTAL TESTIMONY OF DEBORAH D. SWAIN
DOCKET NO.: 20170141-SU
EXHIBIT DDS-2
UPDATED SELECT MFR SCHEDULES
Page 12 of 13

Florida Public Service Commission

Cost of Variable Rate Long Term Debt
13 Month Average Balance

Company: K W Resort Utilities Corp
Docket No.: 20170141-SU
Test Year Ended: 06/30/2017
Interim [] Final [x]
Historical [x] Projected []

Schedule D-6 (Revised)
Page 1 of 1

Preparer: Milian, Swain & Associates, Inc.

Explanation: Provide the specified data on variable cost long term debt issues on a 13-month average basis. If the utility is an operating division or subsidiary, submit an additional schedule which reflects the same information for the parent level.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	
Line No.	Description, Coupon Rate, Years of Life	Issue Date - Maturity Date	Principal Amt. Sold (Face Value)	13 Month Average Principal Amt. Outstanding	Amount Outstanding within 1 Year	Unamortized Discount or Premium Assoc. with Column (4)	Unamortized Issuing Expense Assoc. with Column (4)	Annual Amort of Disc or Premium on Principal Outstanding	Annual Amort of Issuing Expense on Principal Outstanding	Basis of Variable Rate (Prime + .5%)	Interest Cost (Coupon Rate x Column (4))	Total Interest Cost (8)+(9)+(10)	Effective Cost Rate (11)/((4)-(6)-(7))
1	BB&T (Expansion), Prime +.5%		1,000,000	924,859		-	16,166		3,233	5.25%	48,555	51,788	5.34%
2	BB&T, Prime +.5%		2,500,000	1,284,433			42,021		6,303	5.25%	67,433	73,736	5.43%
3													
4													
5	Total		3,500,000	2,209,292	-	-	58,187	-	9,536		115,988	125,524	5.39%

Supporting Schedules: None
Recap Schedules: D-2

Rate Schedule - Sewer

Florida Public Service Commission

Company: K W Resort Utilities Corp

Schedule: E-1 (Revised)

Docket No.: 20170141-SU

Page 1 of 1

Test Year Ended: 06/30/2017

Preparer: Milian, Swain & Associates, Inc.

Water [] or Sewer [X]

Interim [] Final [x]

Explanation: Provide a schedule of present and proposed rates. State residential sewer cap, if one exists

Line No	(1) Class/Meter Size	(2) Rates Effective 7/2016	(3) Rates Effective 4/2017	(4) Proposed Rates
1	<u>Residential Service</u>			
2				
3	BCF All Meter Sizes	\$31.66	\$31.86	\$51.86
4				
5	Gallage Charge per 1,000 gallons (10,000 gallon cap)	\$5.25	\$5.28	\$8.59
6				
7	<u>General Service</u>			
8	5/8" x 3/4 "	\$31.66	\$31.86	\$51.86
9	1"	\$79.15	\$79.65	\$129.65
10	1.5"	\$158.30	\$159.30	\$259.29
11	2"	\$253.28	\$254.88	\$414.87
12	3"	\$506.56	\$509.76	\$829.74
13	4"	\$791.50	\$796.50	\$1,296.46
14	6"	\$1,583.00	\$1,593.00	\$2,592.93
15	8"	\$2,532.80	\$2,548.80	\$4,148.68
16	8" Turbo	\$2,849.40	\$2,867.40	\$4,667.27
17				
18	Gallage Charge per 1,000 gallons	\$6.30	\$6.33	\$10.30
19				
20	<u>Harbor Shores</u>			
21	Base Facility Charge		\$2,198.34	\$3,578.24
22				
23	Gallage Charge per 1,000 gallons			
24	690,000 gallon cap		\$5.28	\$8.59
25				
26	<u>Private Lift Station Owners</u>			
27	5/8" x 3/4 "	\$25.33	\$25.49	\$41.49
28	1"	\$63.32	\$63.72	\$103.72
29	1.5"	\$126.64	\$127.44	\$207.43
30	2"	\$202.62	\$203.90	\$331.89
31	3"	\$405.25	\$407.81	\$663.79
32	4"	\$633.20	\$637.20	\$1,037.17
33	6"	\$1,266.40	\$1,274.40	\$2,074.34
34	8"	\$2,026.24	\$2,039.04	\$3,318.95
35				
36	Gallage Charge per 1,000 gallons	\$6.30	\$6.33	\$10.30
37				
38	<u>Reuse Service</u>			
39	Gallage Charge per 1,000 gallons	\$0.93	\$1.34	\$2.18

COA Adjustment per PAA Docket No.: 150071-SU	Table 1-1		Utility Objects	Utility Adj Booked	JE	Difference	Per 2017 Audit Finding 1 Adjust				
	Adjustment						Utility Adj	S/H/B needed			
3544000 Structures & Improvements - Treatment & Disposal Plant excluding attributable to CWIP	\$	(1,724)	(1)	\$	(4,338)	12.15	\$	2,614			
355 Power Generation Equipment		(7,234)		4,620				(2,614)			
3602000 Collection Sewers-Force		(66,944)			(79,527)	12.15		12,583			
3612000 Collection Sewers - Gravity		(141,552)		17,476	(124,296)	12.15		220	124,296	140,054	(15,758)
363 Services		(1,485)						(1,485)			-
370 Receiving Wells		(825)						(825)	-	825	(825)
371 Pumping Equipment		(11,830)						(11,830)	11,830	21,344	(9,514)
3756000 Reuse Transmission & Distribution		(25,082)			(25,082)	12.15		0			-
3804000 Treatment & Disposal Equipment		(607,920)		138,383	(470,876)	12.15		1,339	526,300	525,477	823
3804000 Treatment & Disposal Equipment		(54,601)			(54,601)	12.15		(0)			-
3907000 Office Furniture & Equipment		(1,950)			(1,950)	12.15		(0)			-
3917000 Vehicles		(17,926)			(30,972)	12.15		13,046	17,926	30,972	(13,046)
3930000 Tools, Shop		(1,294)			(1,294)	12.15		0			-
3940000 Laboratory Equipment		(5,255)		344	(4,911)	12.15		(0)	4,911	5,255	(344)
395 Power Operated Equipment		(13,046)						(13,046)			-
	\$	(958,668)		\$ 160,823	(3)	\$ (797,846)		\$ 1			
(1) Reclass to CWIP											
3544000 Structures & Improvements - Treatment & Disposal Plant		(100,553)			(100,553)	12.11		-			
3544000 Structures & Improvements - Treatment & Disposal Plant		(30,090)			(30,090)	12.12		-			
Total UPIS on Table 1-1	\$	(1,089,311)	(2)	\$ 160,823		\$ (928,488)					

(2) \$1,089,311 Ties to Tables 1-1 "Total UPIS" on column "Adjustment" for "As of 12/31/2014"

(3) \$160,823 ties to Order No PSC-16-0123-PAA-SU

Table 1-1

<i>KW Resort Utilities, Inc.</i>								
<i>Utility Plant in Service</i>								
<i>As of December 31, 2014</i>								
			As of 12/31/2014			13-Month Average		
Account	Description	Utility	Adjustment	Audit	Utility	Adjustment	Audit	
101 352	Franchise	\$92,864	\$0	\$92,864	\$92,864	\$0	\$92,864	
101 354	Structures & Improvements	\$673,398	(\$132,366)	\$541,032	\$604,685	(\$63,653)	\$541,032	
101 353	Land	\$380,999.63	(\$6,000)	\$375,000	\$375,923	(\$923)	\$375,000	
101 355	Power Generation Equipment	\$208,358	(\$7,234)	\$201,124	\$199,147	(\$7,234)	\$191,914	
101 360	Collections Sewers - Force	\$3,760,680	(\$66,944)	\$3,693,736	\$3,678,691	(\$38,202)	\$3,640,489	
101 361	Collections Sewers - Gravity	\$1,203,239	(\$141,552)	\$1,061,686	\$1,195,103	(\$139,759)	\$1,055,343	
101 363	Services	\$97,440	(\$1,485)	\$95,955	\$93,127	(\$1,485)	\$91,642	
101 364	Flow Measuring Devices	\$2,675	\$0	\$2,675	\$2,675	\$0	\$2,675	
101 370	Receiving Wells	\$875,899	(\$825)	\$875,074	\$875,899	(\$825)	\$875,074	
101 371	Pumping Equipment	\$332,703	(\$11,830)	\$320,873	\$310,672	(\$11,830)	\$298,842	
101 375	Reuse Transmission & Distribution Equipment	\$316,298	(\$25,082)	\$291,215	\$316,298	(\$25,082)	\$291,215	
101 380	Transmission & Distribution Equipment	\$4,227,014	(\$662,521)	\$3,564,493	\$4,226,873	(\$662,521)	\$3,564,352	
	Proforma Addition				\$3,489,234	\$0	\$3,489,234	
101 381	Plant Sewers	\$28,762	\$0	\$28,762	\$28,762	\$0	\$28,762	
	Proforma Addition				\$85,234	\$0	\$85,234	
101 389	Other Plant	\$44,203	\$0	\$44,203	\$44,203	\$0	\$44,203	
101 390	Office Furniture & Equipment	\$21,596	(\$1,950)	\$19,646	\$21,596	(\$1,950)	\$19,646	
101 391	Vehicles	\$98,560	(\$17,926)	\$80,634	\$95,444	(\$17,926)	\$77,518	
	Proforma Addition				\$0	\$12,000	\$12,000	
101 392	Stores Equipment	\$1,862	\$0	\$1,862	\$1,862	\$0	\$1,862	
101 393	Tools & Shop Equipment	\$29,392	(\$1,294)	\$28,098	\$29,392	(\$1,294)	\$28,098	
101 394	Laboratory Equipment	\$21,191	(\$5,255)	\$15,937	\$21,191	(\$5,255)	\$15,937	
101 395	Power Operated Equipment	\$88,847	(\$13,046)	\$75,801	\$87,220	(\$13,046)	\$74,174	
	Total UPIS & Land	\$12,505,980	(\$1,095,311)	\$11,410,669	\$15,876,096	(\$978,986)	\$14,897,110	
	Less Land	(\$381,000)	\$6,000	(\$375,000)	(\$375,923)	\$923	(\$375,000)	
	Total UPIS	\$12,124,980	(\$1,089,311)	\$11,035,670	\$15,500,173	(\$978,063)	\$14,522,110	
<i>Small differences are due to rounding.</i>								

	A	B	C	D	E	F	AK	AL	AM	AN	AO	AP
1												REBUTTAL TESTIMONY OF DEBORAH D. SWAIN
2												DOCKET NO.: 20170141-SU
3												EXHIBIT DDS-5
4												ASSET DETAILS PUMPING EQUIPMENT
5		Key West Resort Utilities, Corp.										PAGE 1 OF 2
6		Accumulated Depreciation										
7		As of 6/30/2017										
8												
9		Group: 3713 PUMPING EQUIP										
10	5	PUMPING EQUIPMENT	6/30/84	163,052.08	18	9,058.45						163,052.09
11	84	GOLF COURSE LS- MYERS GRINDER	2/12/03	5,504.00	18	305.78	152.89	152.89	305.78	152.89		3,822.25
12	87	PUMP	6/30/04	2,566.96	18	142.61	142.61	142.61	142.61	71.31		1,853.93
13	137	FM LS- MYERS GRINDER PUMP	3/31/03	7,314.76	18	406.38	203.19	203.19	406.38	203.19		5,079.75
14	146	EMERGENCY POWER RECEPTACLE	12/08/04	1,399.65	18	77.76	77.76	77.76	77.76	38.88		1,010.88
15	148	L3- WHRS-21C PUMP 1	1/28/05	664.62	18	36.92	36.92	36.92	36.92	18.46		443.04
16	150	BAR SCREEN FOR MCDC VAULT	9/27/05	2,350.28	18	130.57	130.57	130.57	130.57	65.29		1,566.84
17	153	MCDC MAIN-MYERS PUMP - RETIRED 2016	6/05/05	5,103.57	18	283.53	283.53	283.53	-			2,977.07
18		MCDC MAIN-MYERS PUMP - RETIRED 2016		(5,103.57)		(283.53)						(2,977.07)
19	154	L3- MYERS PUMP- WHRS-21C RETIRED 2016	10/07/05	678.07	18	37.67	37.67	37.67	-			395.54
20		L3- MYERS PUMP- WHRS-21C RETIRED 2016		(678.07)		(37.67)						(395.54)
21	155	PINES & PALMS WS1534BH4	9/29/05	1,354.18	18	75.23	75.23	75.23	75.23	37.62		902.76
22	156	L2A WG50-23-25 GRINDER PUMP - RETIRED 2016	11/10/05	3,542.38	18	196.80	196.80	196.80	-			2,066.40
23		L2A WG50-23-25 GRINDER PUMP - RETIRED 2016		(3,542.38)		(196.80)						(2,066.40)
24	161	L2A WG50-23-25 GRINDER PUMP	11/30/05	4,646.26	18	258.13	258.13	258.13	258.13	129.07		3,097.56
25	162	LAUNDROMAT- MYERS PUMP	10/07/05	678.07	18	37.67	37.67	37.67	37.67	18.84		452.04
26	174	CRANE DEMING PUMP	7/18/06	5,300.24	18	294.46	294.46	294.46	294.46	147.23		3,239.06
27		2006 ADJUSTMENT	12/31/08									31,220.00
28	212	EXPENSED 2006 5HP PUMP GC MAINT	12/31/08	3,300.24	18	183.35	183.35	183.35	183.35	91.68		2,108.53
29	213	EXPENSED 2006 WHRS-23	12/31/08	739.92	18	41.11	41.11	41.11	41.11	20.56		472.77
30	214	EXPENSED 2006 2 PUMPS REBUILT	12/31/08	367.51	18	20.42	20.42	20.42	20.42	10.21		234.83
31	215	EXPENSED 2006 3 SPARE PUMPS	12/31/08	3,784.65	18	210.26	210.26	210.26	210.26	105.13		2,417.99
32	217	EXPENSED 2006- YEOMAN PUMP	12/31/08	3,473.93	18	193.00	193.00	193.00	193.00	96.50		2,219.50
33	234	EXPENSED 2006 3 GRINDER IMPELLERS	12/31/08	1,568.75	18	87.15	87.15	87.15	87.15	43.58		1,002.23
34	237	EXPENSED 2006- 2 GOULDS SURGE	12/31/08	3,002.53	18	166.81	166.81	166.81	166.81	83.41		1,918.32
35	246	EXPENSED 2006 GOLF COURSE POND	12/31/08	1,361.49	18	75.64	75.64	75.64	75.64	37.82		869.86
36	247	EXPENSED 2006 2 SURGE TANK PUMP	12/31/08	9,105.80	18	505.88	505.88	505.88	505.88	252.94		5,817.62
37	248	EXPENSED 2006 SETTING SURGE PUMP	12/31/08	341.25	18	18.96	18.96	18.96	18.96	9.48		218.04
38	249	EXPENSED 2006 SPARE SLUDGE DRIVE	12/31/08	533.85	18	29.66	29.66	29.66	29.66	14.83		341.09
39		2007 ADDITIONS	6/30/07	21,344.33	18	1,185.80	1,185.80	1,185.80	1,185.80			11,265.10
40		REVERSE 2007 ADDITIONS		(21,344.33)	18	(1,185.80)			(1,185.80)			(11,265.10)
41		2013 ADDITIONS	6/30/13	42,822.69	18	2,379.04	2,379.04	2,379.04	2,379.04	1,189.52		9,516.16
42	372	KEEN PUMP SL#1308249	4/02/14	2,876.00	18	159.78	79.89	159.78	159.78	79.89		479.34
43	373	PINE & PALM LIFT STATION PUMP	4/08/14	2,889.00	18	160.50	80.25	160.50	160.50	80.25		481.50
44	374	GOLF CLUB PUMP SL#1401006A	4/29/14	3,187.00	18	177.06	88.53	177.06	177.06	88.53		531.18
45	376	YEOMEN PUMP	11/04/14	16,916.00	18	939.78	469.89	939.78	939.78	469.89		2,819.34
46	377	MYERS PUMP SN#00167106	12/16/14	3,099.00	18	172.17	86.09	172.17	172.17	86.09		516.51
47	378	WWTP PUMP REPAIR	2/11/14	4,786.00	18	265.89	132.95	265.89	265.89	132.95		797.67
48	394	KIT - EFFLUENT PUMP REPAIR	4/14/15	4,517.15	18	250.95		250.95	250.95	125.48		501.90
49	395	KIT - EFFLUENT PUMP BEARINGS SEALS & STUDS	6/12/15	1,724.84	18	95.82		47.91	95.82	47.91		191.64

	A	B	C	D	E	F	AK	AL	AM	AN	AO	AP
1									REBUTTAL TESTIMONY OF DEBORAH D. SWAIN			
2										DOCKET NO.: 20170141-SU		
3										EXHIBIT DDS-5		
4									ASSET DETAILS PUMPING EQUIPMENT			
5	Key West Resort Utilities, Corp.										PAGE 2 OF 2	
6	Accumulated Depreciation											
7	As of 6/30/2017											
50												
51	411	REPAIR & REBUILD CONTROLLERS	10/14/16	6,618.42	18	367.69			183.85	183.85		367.69
52	412	MYERS PUMP S/N 10322456 (mcdc)	3/14/16	5,795.33	18	321.96			160.98	160.98		321.96
53	413	MYERS PUMP S/N 10324472 (Bayshore Manor)	3/21/16	1,828.58	18	101.59			50.80	50.80		101.59
54	414	REWIRE CONTROLS EFFLUENT PUMP	3/30/16	1,400.00	18	77.78			38.89	38.89		77.78
55	415	F MODEL 3" VALVES	5/20/16	3,125.12	18	173.62			86.81	86.81		173.62
56	416	MYERS PUMP MODEL WG50-23-25 S/N 10344937	7/14/16	4,303.23	18	239.07			119.54	119.54		239.07
57	417	KEEN PUMP MODEL K072-1631 S/N 1607129	8/08/16	3,452.87	18	191.83			95.92	95.92		191.83
58	418	15 NEW CONTROLLERS	8/26/16	5,244.34	18	291.35			145.68	145.68		291.35
59	419	KEEN PUMP MODEL K072-1631 S/N 1607130	10/13/16	3,452.87	18	191.83			95.92	95.92		191.83
60	420	MYERS PUMP MODEL WG20-23-20 S/N 10365479	10/21/16	1,828.58	18	101.59			50.80	50.80		101.59
61	421	SURGE PUMP MODEL 4SE2844L S/N C1804355	11/15/16	3,103.71	18	172.43			86.22	86.22		172.43
62	422	SURGE PUMP MODEL 4SE2844L S/N C1804356	11/15/16	3,103.71	18	172.43			86.22	86.22		172.43
63	423	KEEN SLICER PUMP 5HP MODEL #KG5-2303 S/N 1607130	12/02/16	4,068.88	18	226.05			113.03	113.03		226.05
64		Aqseptence Contoller Activation Tool	1/04/17	199.46	18	11.08				5.54		5.54
65		Surge Pump S/N C1810471-0117	1/05/17	3,197.06	18	177.61				88.81		88.81
66		Yeoman Pump S/N 7517008995	1/23/17	4,702.05	18	261.23				130.62		130.62
67		Aqseptence 15 New Controllers	1/26/17	3,479.60	18	193.31				96.66		96.66
68		Yeoman Pump S/N 9808195A	1/30/17	7,469.19	18	414.96				207.48		207.48
69		Myers Pump Rebuild 9808-195	4/28/17	3,063.63	18	170.20				85.10		85.10
70		Myers Pump S/N 10491189 Model WHR5-21C	5/30/17	2,109.43	18	117.19				58.60		58.60
71		Barnes Sewage Pump	6/27/17	3,266.58	18	181.48				90.74		90.74
72	3713 PUMPING EQUIP			380,041.34		21,113.47	7,962.10	9,073.08	-865.95	6,027.51		252,588.94
73		Accumulated Depr					243,793.32	252,866.39	246,561.43	252,588.94		0.00
74												
75	375	CHEMICAL FEED PUMPS	7/29/14	3,048.00	7	435.43	217.72	435.43	435.43	217.72		1,306.29
76							-					-
77	3714 PUMPING EQUIP			3,048.00		435.43	217.72	435.43	435.43	217.72		1,306.29
78		Accumulated Depr					217.72	653.15	1,088.58	1,306.29		0.00
79												

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Money Rates

Thursday, March 29, 2018 [Find Historical Data](#) | [WHAT'S THIS?](#)

INFLATION

[GO TO: International Rates](#) [U.S. Government rates](#) [Secondary Market](#) [Other short-term rates](#) [Weekly Survey](#)

U.S. consumer price index

	Feb. index level	% CHG FROM	
		Jan. '18	Feb. '17
All items	248.991	0.45	2.2
Core	255.783	0.45	1.8

INTERNATIONAL RATES

[GO TO: Inflation](#) [U.S. Government rates](#) [Secondary Market](#) [Other short-term rates](#) [Weekly Survey](#)

Prime rates [U.S. Effective Date: 3/22/2018]

	Latest	Wk ago	52-WEEK	
			High	Low
U.S.	4.75	4.75	4.75	4.00
Canada	3.45	3.45	3.45	2.70
Japan	1.475	1.475	1.475	1.475

Policy rates

	Latest	Wk ago	52-WEEK	
			High	Low
Euro zone	0.00	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50	0.50
Britain	0.50	0.50	0.50	0.25
Australia	1.50	1.50	1.50	1.50

Overnight repurchase

	Latest	Wk ago	52-WEEK	
			High	Low
U.S.	2.05	1.48	2.05	0.76

U.S. GOVERNMENT RATES

[GO TO: Inflation](#) [International Rates](#) [Secondary Market](#) [Other short-term rates](#) [Weekly Survey](#)

Discount [Effective Date: 3/22/2018]

	Latest	Wk ago	52-WEEK	
			High	Low
	2.25	2.25	2.25	1.50

Federal funds [Effective Date: 3/22/2018]

	Latest	Wk ago	52-WEEK	
			High	Low
Effective rate	1.71	1.68	1.71	0.84

REBUTTAL TESTIMONY OF DEBORAH D. SWAIN
DOCKET NO. 20170141-SU
EXHIBIT DD-6
PRIME RATE - WSJ
PAGE 1 OF 1

KW Resort Utilities Corp.

ACCOUNT QUICKREPORT

January 1, 2016 - October 1, 2017

DATE	TRANSACTION TYPE	NUM	NAME	MEMO/DESCRIPTION	ACCOUNT	CLR	AMOUNT	BALANCE
Non Utility Income								
4191000	Interest Income							
07/05/2016	Deposit	INTEREST			4191000 Non Utility Income:Interest Income		1.84	1.84
08/02/2016	Deposit				4191000 Non Utility Income:Interest Income		20.97	22.81
09/01/2016	Deposit				4191000 Non Utility Income:Interest Income		38.97	61.78
10/03/2016	Deposit				4191000 Non Utility Income:Interest Income		72.21	133.99
11/01/2016	Deposit				4191000 Non Utility Income:Interest Income		99.56	233.55
12/01/2016	Deposit				4191000 Non Utility Income:Interest Income		124.49	358.04
01/03/2017	Deposit				4191000 Non Utility Income:Interest Income		165.43	523.47
02/01/2017	Deposit				4191000 Non Utility Income:Interest Income		242.87	766.34
03/01/2017	Deposit				4191000 Non Utility Income:Interest Income		311.14	1,077.48
04/03/2017	Deposit				4191000 Non Utility Income:Interest Income		255.41	1,332.89
05/01/2017	Deposit				4191000 Non Utility Income:Interest Income		43.99	1,376.88
06/01/2017	Deposit				4191000 Non Utility Income:Interest Income		61.58	1,438.46
07/03/2017	Deposit				4191000 Non Utility Income:Interest Income		72.11	1,510.57
08/01/2017	Deposit				4191000 Non Utility Income:Interest Income		85.14	1,595.71
09/01/2017	Deposit				4191000 Non Utility Income:Interest Income		92.93	1,688.64
Total for 4191000 Interest Income							\$1,688.64	
Total for Non Utility Income							\$1,688.64	
TOTAL							\$1,688.64	

Schedule A-2 flow through adjustments from schedule A-3

Utility Plant in Service	(1,010,671)
Non-Used & Useful Plant	(46,674)
Accumulated Depreciation	1,136,849
Working Capital Allowance	49,958

Schedule A-3

UPIS Adjustment		(1,010,671)
380.4 Chlorine Contact Chamber	38,146	
380.4 WWTP Rehabilitation	60,759	
380.4 Generator	69,545	
371.3 Tow Behind Generator	(25,554)	
391.7 Service Truck with Crane	(9,069)	
395.7 New Sandsifter	(1,190)	
396.7 Telephone System	(3,991)	
354.5 Retire old office building	(68,795)	
371.3 Retire old Lift Station	(109,795)	
380.4 Retire old Chlorine Contact Chamber	(832,470)	
380.4 Retire old Generator	(128,257)	
Non Used & Useful		(46,674)
Plant in Service	(48,008)	
Accumulated Depreciation	1,334	
Accumulated Depreciation		1,136,847
380.4 Chlorine Contact Chamber	(1,061)	
380.4 WWTP Rehabilitation	(1,690)	
380.4 Generator	(1,933)	
371.3 Tow Behind Generator	710	
391.7 Service Truck with Crane	755	
395.7 New Sandsifter	49	
396.7 Telephone System	700	
354.5 Retire old office building	68,795	
371.3 Retire old Lift Station	109,795	
380.4 Retire old Chlorine Contact Chamber	832,470	
380.4 Retire old Generator	128,257	
Working Capital		
Proforma Unamortized additional hurricane expense		49,958

Schedule B-2 flow through adjustments from schedule B-3

Operating Revenues	79,494
O&M Expenses	34,808
Depreciation, net of CIAC amort	(6,440)
Taxes Other Than Income	23,548

Schedule B-3

Operating Revenues		79,494
Change in ROR from 7.45% to 7.70%	79,494	
O&M Expenses (pro forma)		34,808
701 Salaries & Wages	(33,315)	
703 Salaries - Officers	1,170	
704 Employee Pension & Benefits		
TY actual 20.67% X proforma salaries	(6,644)	
Incremental cost of implementing a traditional pension plan	25,627	
711 Sludge Hauling	(23,524)	
715 Purchased Power	32,860	

REBUTTAL TESTIMONY OF DEBORAH D. SWAIN
DOCKET NO.: 0170141-SU
EXHIBIT DDS-8
STIPULATED AUDIT FINDING 1 AND COA ADJUSTMENTS BOOKED BY THE UTILITY

718 Chemicals	(588)	
758 Insurance Workman's Comp	(1,466)	
775 Additional cost or fiber for telephone expense	(267)	
775 Monthly POTS line for dedicated alarm system	960	
775 Hurricane Expenses amortized over 4 years	14,274	
Schedule B-6 Corrections		
711 Sludge Hauling	23,523	
715 Purchased Power	(11,520)	
718 Chemicals	587	
720 Materials & Supplies	(54,787)	
735 Contractual Services Testing	(1,504)	
736 Contractual Services Other	43,290	
742 Rental of Equipment	(244)	
770 Bad Debt Expense	2,443	
775 Miscellaneous Expense	(1,788)	
Schedule B-10 Correction for prior unamortized rate case expenses		
Amortization of Rate Case Expense	25,721	
Depreciation, net of CIAC amort		(6,441)
354.7 Office Structures & Improvements, net of retirement	(2,293)	
355.4 Power Generated Equipment, net of retirement	(6,413)	
371.3 Tow Behind Generator	(1,421)	
380.4 Chlorine Contact Chamber	2,121	
380.4 Generator	3,867	
380.4 WWTP Rehabilitation	3,378	
391.7 Service Truck with Crane	(1,512)	
395.7 Power Operated Equipment, net of retirement	(99)	
396.7 Telephone System	(1,400)	
Non Used & Useful Adj. to Depreciation Expense	(2,669)	
Taxes Other Than Income		23,549
Adjustment to payroll taxes for proforma salaries	(2,548)	
Increase to ad valorem taxes for proforma additions	1,196	
Increase to ad valorem taxes for TY plant additions	21,779	
Non Used & Useful Adj.	(455)	
Change in requested increase	3,577	