

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20170141-SU

DATED: April 17, 2018

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-2018-0039-PCO-SU, filed January 12, 2018, the Staff of the Florida Public Service Commission files its Prehearing Statement.

1. All Known Witnesses

<u>Witness</u>	<u>Subject</u>
Marisa Glover	Commission Staff's Audit Report of K W Resort Utilities Corporation

2. All Known Exhibits

<u>Exhibit</u>	<u>Title</u>
MG-1	Auditor's Report - KW Resort Utilities Corporation
MG-2	Auditor's Report- KW Resort Utilities Corporation- Revised page

3. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

4. Staff's Position on the Issues

Quality of Service

ISSUE 1: Is the quality of service provided by K W Resort satisfactory?

STAFF: Staff has no position pending evidence adduced at hearing.

Rate Base

Contested

Issue A: Did the Utility have a reasonable and prudent amount of insurance coverage for damages associated with Hurricane Irma?

STAFF: Staff has no position pending evidence adduced at hearing.

Contested

Issue B: Did the Utility reasonably and prudently pursue insurance claims for damages associated with Hurricane Irma?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 2: Was the Utility's use of single source bidding reasonable and prudent for certain pro forma plant additions, and if not, what action should the Commission take regarding these pro forma projects?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 3: What adjustments, if any, should be made to account for the audit findings related to rate base?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 4: What is the appropriate amount of plant in service to be included in rate base?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 5: What is the appropriate amount of accumulated depreciation to be included in rate base?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 6: What is the appropriate amount of CIAC to be included in rate base?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 7: What is the appropriate amount of accumulated amortization of CIAC to be included in rate base?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 8: What are the used and useful percentages of the Utility's wastewater treatment plant and wastewater collection system?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 9: What is the appropriate working capital allowance to be included in rate base?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 10: What is the appropriate rate base? (fall out)

STAFF: Staff has no position pending evidence adduced at hearing.

Cost of Capital

ISSUE 11: What is the appropriate capital structure?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 12: What is the appropriate return on equity?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 13: What is the appropriate cost of long-term debt?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 14: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

STAFF: Staff has no position pending evidence adduced at hearing.

Net Operating Income

ISSUE 15: What are the appropriate billing determinants (factored ERCs and gallons) to use to establish test year revenues?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 16: What are the appropriate test year revenues?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 17: What adjustments, if any, should be made to account for the audit findings related to net operating income?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 18: What is the appropriate amount of salaries and wage expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 19: What is the appropriate amount of employee pensions & benefits expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 20: What is the appropriate amount of sludge hauling, chemicals, and purchased power expenses?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 21: What is the appropriate amount of materials and supplies expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 22: What is the appropriate amount of contractual services – engineering expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 23: What is the appropriate amount of rental of equipment expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 24: What is the appropriate amount of insurance – worker's comp expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 25: What is the appropriate amount of bad debt expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 26: What is the appropriate amount to be recovered by the Utility for storm restoration expenses due to Hurricane Irma, and over what period should such expenses be recovered?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 27: What is the appropriate amount of miscellaneous expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 28: What are the appropriate amounts of the Utility's pro forma expenses?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 29: What is the appropriate amount of rate case expense, and over what period should such expense be recovered?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 30: What, if any, further adjustments should be made to the Utility's O&M expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 31: What is the appropriate amount of O&M expense? (fall out)

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 32: What is the appropriate amount of depreciation expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 33: What is the appropriate amount of Taxes Other Than Income?

STAFF: Staff has no position pending evidence adduced at hearing.

Revenue Requirement

ISSUE 34: What is the appropriate revenue requirement?

STAFF: Staff has no position pending evidence adduced at hearing.

Rate Structure and Rates

ISSUE 35: What are the appropriate adjustments, if any, to test year billing determinants for setting final rates and charges?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 36: What are the appropriate rate structure and rates for wastewater service?

STAFF: Staff has no position pending evidence adduced at hearing.

Other Issues

ISSUE 37: What is the appropriate rate for KWRU's reuse service?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 38: What are the appropriate miscellaneous service charges?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 39: What is the appropriate late payment charge?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 40: What is the appropriate Lift Station Cleaning charge?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 41: What are the appropriate initial customer deposits?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 42: What are the appropriate Allowance for Funds Prudently Invested (AFPI) charges?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 43: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 44: In determining whether any portion of the interim wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 45: Should the Utility maintain an asset management and preventive maintenance plan? If so, what action, if any, should be taken?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 46: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 47: Should this docket be closed?

STAFF: Staff has no position pending evidence adduced at hearing.

5. Stipulated Issues

There are no stipulated issues at this time.

6. Pending Motions

Staff has no pending motions at this time.

7. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality claims or requests.

8. Objections to Witness Qualifications as an Expert

Staff has no objections to any witness's qualifications as an expert.

9. Compliance with Order No. PSC-2018-0039-PCO-SU

Staff has complied with all requirements of the Order Establishing Procedure entered in this docket.

Respectfully submitted this 17th day of April, 2018.

/s/ Kyeshia Mapp

KYESHA MAPP
STAFF COUNSEL

FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: (850) 413-6230

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20170141-SU

DATED: April 17, 2018

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that STAFF'S PREHEARING STATEMENT has been filed with the Office of Commission Clerk and that a true copy has been furnished to the following by electronic mail this 17th day of April, 2018:

Martin S. Friedman
Friedman & Friedman, P.A.
600 Rinehart Road, Suite 2100
Lake Mary, FL 32746
mfriedman@ffllegal.com

Christopher Johnson
KW Resort Utilities Corp.
6630 Front Street
Key West, FL 33040-6050
chriskw@bellsouth.net

Monroe County Attorney's Office
Robert Shillinger/Cynthia Hall
1111 12th Street, Suite 408
Key West, FL 33040
Shillinger-Bob@monroecounty-fl.gov
Hall-Cynthia@monroecounty-fl.gov

J. R. Kelly/Erik L. Saylor
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400
kelly.jr@leg.state.fl.us
Saylor.Erik@leg.state.fl.us

Barton W. Smith
Smith Law Firm
138-142 Simonton Street
Key West, FL 33040
bart@smithoropeza.com

Robert Scheffel Wright/John T. LaVia III
Gardner Law Firm
1300 Thomaswood Drive
Tallahassee, FL 32308
schef@gbwlegal.com
jlavia@gbwlegal.com

/s/ Kyessa Mapp

KYESHA MAPP
STAFF COUNSEL
FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: (850) 413-6230