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RICHARD CORCORAN
Speaker of the House of Representatives

May 04, 2018

Ms. Carlotta Stauffer, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20170141-SU

Dear Ms. Stauffer:

Please find enclosed for filing in the above referenced docket the Expedited Surrebuttal Testimony of **Helmuth W. Schultz, III** and Exhibit HWS-3. This filing is being made via the Florida Public Service Commission's Web Based Electronic Filing portal.

If you have any questions or concerns; please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,

/s/ Erik Sayler
Erik L. Sayler
Associate Public Counsel

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

Filed: May 4, 2018

EXPEDITED SURREBUTTAL TESTIMONY

OF

HELMUTH W. SCHULTZ, III

ON BEHALF OF THE OPC OF THE STATE OF FLORIDA

1 **DIRECT TESTIMONY**

2 **OF**

3 **Helmuth W. Schultz, III**

4 On Behalf of the Office of Public Counsel

5 Before the

6 Florida Public Service Commission

7 Docket No. 20170141-SU

8

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

10 A. My name is Helmuth W. Schultz, III. I am a Certified Public Accountant licensed in the
11 State of Michigan and a senior regulatory consultant at the firm Larkin & Associates,
12 PLLC, (“Larkin”) Certified Public Accountants, with offices at 15728 Farmington Road,
13 Livonia, Michigan, 48154.

14

15 **Q. ARE YOU THE SAME HELMUTH W. SCHULTZ III THAT FILED DIRECT**
16 **TESTIMONY IN THIS PROCEEDING ON MARCH 14, 2018?**

17 A. Yes, I am.

18

19 **Q. WHAT IS THE PURPOSE FOR YOUR FILING OF EXPEDITED SURREBUTTAL**
20 **TESTIMONY IN THIS PROCEEDING?**

21 A. I am providing expedited surrebuttal for the Office of Public Counsel (OPC) in response
22 to new cost information and revised minimum filing requirements (MFRs) provided by
23 KWRU in rebuttal that has the effect of increasing its revenue requirement. I am
24 responding to the KWRU’s attempt to update its filing with new information, increasing
25 costs and attempting to update its request with added documentation because KWRU failed

1 to properly support its position in its initial filing and in response to discovery. In addition,
2 I am addressing the Company's failure to understand ratemaking in general.

3

4 **Q. HAVE YOU REVIEWED THE JOINT MOTION TO STRIKE AND THE**
5 **PORTIONS OF TESTIMONY AND EXHIBITS SUBJECT TO THE MOTION TO**
6 **STRIKE?**

7 A. Yes.

8

9 **Q. DO KWRU WITNESSES SWAIN AND JOHNSON INCLUDE NEW COST**
10 **INFORMATION IN REBUTTAL?**

11 A. Yes, they do. The numerous adjustments identified in the rebuttal testimonies of Ms. Swain
12 and Mr. Johnson reflect that belief they can revise the Company's cost information at will,
13 and in my opinion shifts the burden of proof to the ratepayers with little time to respond
14 prior to the hearing.

15

16 **Q. WOULD YOU SUMMARIZE YOUR CONCERN WITH THE COMPANY'S**
17 **REBUTTAL TESTIMONY?**

18 A. The Company's rebuttal is in effect a new rate filing. It acknowledges issues that were
19 incomplete in KWRU's original filing and attempts to make changes to try and
20 accommodate the admissions. The new filing comes by making changes to compensate
21 for the admitted reductions through new costs projections and most notably a change in the
22 rate of return.

23

24 **Q. WHAT ARE THE NEW COST INCREASES INCLUDED AS PART OF THE**
25 **COMPANY'S REBUTTAL FILING?**

1 A. As shown on Exhibit HWS-3, KWRU’s rebuttal testimony has changed numerous lines in
2 the Company’s MFR schedules between direct and rebuttal. While the Company’s rebuttal
3 attempts to address adjustments recommended by OPC and Staff testimony, KWRU added
4 new costs. If KWRU simply agreed with some of the recommended adjustment, there
5 would be a downward adjustment to rate base and the cost of service. KWRU
6 acknowledges that there are some items decreasing; however, instead of simply accepting
7 those changes, KWRU has elected to offset those decreases to rate base and the cost of
8 service with new increases in rebuttal.

9

10 **Q. WHAT IS THE IMPLICATION OF MS. SWAIN’S REBUTTAL TESTIMONY ON**
11 **PAGE 33, LINE 16 THROUGH PAGE 34, LINE 10 WHICH ARE PAGES**
12 **SUBJECT TO THE MOTION TO STRIKE?**

13 A. KWRU apparently filed this rate case under the assumption that it can make changes to its
14 filing at any time and that it is okay to do so. Ms. Swain states at page 33:18-20 of her
15 rebuttal “I would revise any of the pro forma adjustments made in the case to reflect
16 additional information that has come to light. This is commonly done, and appropriate.”
17 Apparently, she believes that if changes came to light after the filing of the rate case, those
18 changes should be incorporated into the Company’s MFRs. Yet, in her deposition on April
19 24, 2018, she said she did not feel she needed to provide the Commission all the revised
20 MFRs. (Swain Deposition, page 82, lines 6-page 83, line 1.) These two statements do not
21 reconcile especially since here Exhibit DDS-2 contain ___pages of revised MFRs, and
22 revised Schedule E-1, shows an increase in the rates and charges as a result of the changes
23 made in rebuttal.

1 **Q. TO YOUR KNOWLEDGE, DO OTHER JURISDICTIONS ALLOW**
2 **WHOLESALE CHANGES TO A UTILITY'S RATE CASE AFTER THE**
3 **PETITION IS FILED?**

4 A. No, and I have been participating in and/or providing testimony as an expert in utility
5 ratemaking since 1976.

6

7 **Q. WHAT NEW INFORMATION WAS ADDED TO THIS RATE CASE IN KWRU'S**
8 **REBUTTAL?**

9 A. On page 15 of his rebuttal, KWRU's Witness Johnson provides testimony regarding the
10 size of the proposed modular office. A major issue in this case relates to the approximately
11 1,200 square foot modular office building requested by KWRU that was initially estimated
12 to cost \$288,000. In my direct testimony, I opined that, based on my experience, the cost
13 per square foot was high, the contract provided by KWRU was with a company that could
14 not be located on the State of Florida Division of Corporations website (Sunbiz.org), the
15 building was to be occupied by March 31, 2018, and KWRU had stated in response to
16 discovery that a bidding process was not used to select a builder for this new office. When
17 asked about the status of the project, KWRU responded by stating that there was not a date
18 certain as to when the Company would receive its modular permanent office.¹

19 The Company responded to my recommendation with KWRU witness Christopher
20 Johnson stating in rebuttal that the 1,200 square foot office has increased by 31% to 1,577
21 square feet. He also changed the completion date from March 31, 2018 to December 2018
22 and included a new design in Exhibit CAJ-32 not previously provided in direct.

23

¹ March 14, 2018 Prefiled Direct Testimony of Helmuth W. Schultz III, pages 10-13.

1 **Q. WHAT IS YOUR OPINION OF EXHIBIT CAJ-32?**

2 A. It appears to be a document manufactured for use at this hearing, and purports to be a
3 “Model Florida Utilities Office” design from Champion out of Troy, MI. It says 0 bedroom
4 and 0 bath, yet there are clearly two half bathrooms pictured. The design is not final, as
5 one can clearly see hand drawn modifications to the upper left restroom area. In addition,
6 there is much detail that is omitted from the proposed floorplan, and there is no cost
7 estimate indicated. It basically looks like a residential design that was modified to become
8 an office. Further, CAJ-32 does not include any request for proposal bid documents, any
9 indication when the project will go out for bid, or anything else that gives one confidence
10 that this is the final design that will be built or that the estimated cost is reasonable.

11

12 **Q. WHY IS THE REBUTTAL TESTIMONY INAPPROPRIATE FOR**
13 **CONSIDERATION?**

14 A. KWRU has the burden of the proof in this docket and should not be allowed to change the
15 rules of the game at this juncture, giving it an unfair advantage over customers. The
16 changes and new purported support are not appropriate. With respect to company witness
17 Johnson’s testimony, he has changed the size of the building from approximately 1,200
18 square feet to 1,577 square feet (an increase of 31%). He acknowledged that the occupation
19 date has moved 9 months from March 2018 to December 2018, assuming that December
20 2018 can be achieved.

21

22 **Q. DOES COMPANY WITNESS JOHNSON CHALLENGE YOUR ASSERTION**
23 **THAT THE COST PER SQUARE FOOT IS APPROXIMATELY \$240 PER**
24 **SQUARE FOOT.**

1 A. Yes, he does. Witness Johnson claims the cost of the building will be approximately
2 \$182.63 per square foot ($\$288,000 / 1,577$ sq ft). However, in his direct testimony, he
3 claimed the building would be approximately 1,200 square foot, which would result in
4 \$240 per square foot ($\$288,000/1,200$ sq ft).

5

6 **Q. IS AN APPROXIMATE COST OF \$182.63 PER SQUARE FOOT REASONABLE?**

7 A. I cannot state based on the information supplied by KWRU whether the cost per square
8 foot is or is not reasonable. The reasonableness of the price per square foot is not the
9 primary issue. Instead, the primary issue is whether KWRU has met its burden of proof
10 and provided the Commission enough reliable cost information to support the
11 reasonableness of the cost of this modular building. The Company still claims the cost
12 should not exceed \$288,000; however, the new information in rebuttal still does not satisfy
13 that burden of proof for inclusion in rate base. There is also a concern that the Company
14 did not investigate whether any alternative to a modular was a more prudent and feasible
15 option.

16

17 **Q. DOES THE NEW INFORMATION PROVIDED IN REBUTTAL QUALIFY AS**
18 **SUPPORT FOR ALLOWING THE MODULAR BUILDING?**

19 A. No, it does not. KWRU presents a questionable contract that still says the office will be
20 occupied by March 31, 2018. It is now May and, according to Mr. Johnson's rebuttal
21 testimony on page 15, KWRU can still only speculate that the building will be in place in
22 December 2018. I note the original contract contained a specific date, and the date has
23 now changed to December 2018. The contract includes a cost of \$250,000; KWRU is now
24 requesting \$288,000 for the building. I am confident that the actual cost of this modular
25 building will not be either of these figures when and if it is ever completed. The fact that

1 Exhibit CAJ-32 does not include competitive bids, or a request for competitive bids, means
2 it is insufficient to support the total estimated cost of \$288,000. While the Company needs
3 a replacement modular building, it failed to meet its burden to support the “not to exceed
4 \$288,000” as a reasonable amount to be included in rate base at this time. It is still my
5 opinion that there is insufficient support for the new modular office building and the
6 recommendations from my direct testimony remains that it should be removed from rate
7 base at this time. It can be considered in KWRU’s next rate case if and when the building
8 is ever constructed.

9

10 **Q. WHAT IS YOUR TESTIMONY REGARDING MR. JOHNSON’S REBUTTAL**
11 **TESTIMONY RELATED TO SALARIES AND WAGES?**

12 A. On pages 21-22 of his rebuttal, Mr. Johnson states that KWRU made a change to payroll
13 based on known staffing and known anticipated raises. The dollar amount of the \$33,315
14 (\$200,879-167,564) reduction to salaries is reflected on Schedule B-3 attached to Ms.
15 Swain’s testimony. However, there is no explanation, calculation, or support showing how
16 this amount was derived. Even though there appears to be a net reduction, Ms. Swain states
17 on page 26, lines 2-3, she does not support a reduction in salaries and wages. Without any
18 further support or documentation provided in rebuttal, my recommendation to reduce
19 salaries in the amount of \$166,119 remains.

20

21 **Q. WHAT IS YOUR TESTIMONY REGARDING MR. JOHNSON’S REBUTTAL**
22 **TESTIMONY RELATED TO HURRICANE EXPENSE?**

23 A. Mr. Johnson adds new costs to the hurricane expense on Page 22 of his rebuttal testimony.
24 There are no supporting documents provided in his exhibits. I have not had time to fully
25 review these additional costs; however, with no supporting documentation, my

1 recommendation regarding the correct level of hurricane expense remains the same as in
2 my direct testimony at \$177,536.

3
4 **Q. WHAT IS YOUR TESTIMONY REGARDING MR. JOHNSON'S AND MS.
5 SWAIN'S REBUTTAL TESTIMONY RELATED TO TELEPHONE EXPENSE?**

6 A. Mr. Johnson adds new costs to the telephone expense on Pages 23 and 24 of his rebuttal
7 testimony. While I have not had time to fully review these additional costs, I note that some
8 of the items included are not recurring items (such as purchase of equipment), yet Mr.
9 Johnson is attempting to include them as part of the annual expense. Mr. Johnson also states
10 that AT&T has failed to provide full service as requested. In addition, Mr. Johnson states
11 that the completion of these costs are based on the completion of the new modular office.
12 I have previously addressed the new modular office and my concerns with the possible
13 completion date. Based on these issues, I am not only concerned with the requested
14 increase in telephone costs through rebuttal but I also believe the rebuttal testimony throws
15 the original request into even more uncertainty. Without any further development of what
16 Mr. Johnson means through his rebuttal or additional supporting documentation, my
17 original recommendation of \$12,647 for the telephone expense stands.

18
19 **Q. WHAT IS YOUR TESTIMONY REGARDING MR. JOHNSON'S REBUTTAL
20 TESTIMONY RELATED TO PURCHASED POWER EXPENSE?**

21 A. Mr. Johnson adds new costs to the purchased power expense on Page 28 of his rebuttal
22 testimony. I did not take issue with the purchased power expense in my direct testimony;
23 therefore, I am unsure of what this testimony is rebutting. In any event, I did not have time
24 to prepare an analysis to compare to CAJ-40. However, in my limited review, I note that
25 Page 1 of CAJ-40 appears to include 14 months of bills, and at least one of the bills attached
26 (page 51 of 207) includes an Initial Permanent Service Charge which is not a recurring

1 charge. I also looked briefly at a few bills and was unable to quickly trace them to the
2 calculation schedule on Page 1 of the exhibit. The testimony does not provide a letter or
3 copy of the tariff indicating the increase in rates or the effective date. It appears that the
4 chart also works off of a calendar year instead of the test year. Ms. Swain's own rebuttal
5 testimony criticizes the use of a calendar year for comparison purposes when the test year
6 is June 30, 2017. Because the explanation and documentation provided in rebuttal are
7 insufficient, I recommend that the originally requested purchased power expense of
8 \$219,230 remain the same.

9

10 **Q. WHAT ABOUT THE CHANGES AND REVISIONS TO THE MFRS**
11 **HIGHLIGHTED IN COMPANY WITNESS SWAIN'S REBUTTAL TESTIMONY**
12 **AND EXHIBIT DDS-2?**

13 A. Exhibit DDS-2 contains the Revised MFR Schedules, which were revised after Intervenor
14 testimony was filed. The alleged basis for the changes are discussed throughout Ms.
15 Swain's rebuttal.

16

17 **Q. WHAT IS YOUR TESTIMONY REGARDING MS. SWAIN'S REBUTTAL**
18 **TESTIMONY RELATED TO THE COST OF DEBT?**

19 A. Ms. Swain testifies on pages 33 and 34 of her rebuttal testimony that the cost of debt should
20 be increased from 7.45% to 7.70%. The impact of this change is tremendous. Ms. Swain
21 explains this adjustment is due to the Fed prime rate being raised to 4.75% as shown on
22 Exhibit DDS-6. Exhibit DDS-6 is a screen shot from the Wall Street Journal webpage
23 showing a 4.75% prime rate.

24

1 **Q. IF THE COMMISSION ALLOWS KWRU TO UPDATE THE COST OF DEBT IN**
2 **REBUTTAL, WHAT EFFECT DOES THAT HAVE ON KWRU'S PROPOSED**
3 **RATE INCREASE?**

4
5 A. After factoring the reduction in expense describe in KWRU's rebuttal, the net increase in
6 the Company's request from \$1,349,690 to \$1,429,184 is a result of changing the cost of
7 debt.

8
9 **Q. DID THE COMPANY PROVIDE SUFFICIENT JUSTIFICATION OR**
10 **DOCUMENTATION TO SUPPORT CHANGING ITS COST OF DEBT?**

11 A. No. It did not. KWRU failed to provide adequate documentation to support the Revised
12 MFR Schedule D-6 in Exhibit DDS-2. KWRU did not provided (1) a copy of its BB&T
13 loan agreements; (2) any information from the bank regarding the increased interest rate
14 on its loans; or (3) any documents from the bank that show that its debt costs have
15 increased. Therefore, there is no basis upon which to justify changing KWRU's debt rate.

16
17 **Q. ARE THERE OTHER COSTS THAT HAVE CHANGED OR OTHERS ISSUES**
18 **RAISED IN REBUTTAL YOU WOULD LIKE TO ADDRESS?**

19 A. Yes, I will discuss some of the specific concerns with positions taken in the rebuttal and
20 will generally address the numerous changes in costs.

21
22 **Q. WHAT ARE SOME OF THE CHANGES IN THE REQUESTED COSTS THAT**
23 **ARE NOT APPROPRIATE?**

24 A. According to Witnesses Swain and Johnson, equipment rental costs have increased. On
25 page 10 of his rebuttal Mr. Johnson states the original filing included an estimate for six
26 months for renting a generator and now he increases it to 11 months due to the lag time for

1 the new generator to arrive. It is not appropriate for ratepayers to pay costs over and above
2 the original request because the Company failed to prudently assess the requirements for
3 the rental generators and the time it would take to acquire the back-up and portable
4 generators.

5

6 **Q. PLEASE DISCUSS SOME OF THE OTHER CHANGES AND REVISIONS TO**
7 **THE MFRS HIGHLIGHTED IN COMPANY WITNESS SWAIN'S REBUTTAL**
8 **TESTIMONY?**

9 **A.** At page 16 of her rebuttal Ms. Swain provides a calculation for the new requested pension
10 amount which is reflected in Revised MFR Schedule B-6. No documentation has been
11 provided by KWRU to support the 5% in the calculation she referenced. Based upon my
12 reviewing of various traditional pension plans, the actual cost for a traditional plan, if truly
13 a pension plan, should be based on an actuarial estimate and no such document has been
14 provided by KWRU. The plan provided² indicates it is a profit sharing plan and
15 contributions are discretionary, and not a traditional pension plan. This cost is another best
16 guess estimate by the Company for a cost at this juncture.

17

18 This is a prime example how the Company's filing has become a moving target with all
19 the changes in rebuttal. Schedule B-3 as revised in Exhibit DDS-2 was new information
20 provided by KWRU in rebuttal. Ms. Swain addresses the reasons for changing it on pages
21 17 and 18 of her rebuttal. The cost of service filing, Schedule B-3, that was included in the
22 original MFR's contained 12 lines for pro forma cost adjustments to O&M expense. In
23 rebuttal, Ms. Swain included a Revised Schedule B-3 reflecting 13 lines of adjustments.

² Company response to OPC Interrogatory 3-47.

1 Of the 13 lines, one adjustment was added and ten of the original adjustment amounts were
2 changed.

3

4 **Q. ARE YOU REVISING YOUR RECOMMENDATIONS TO KWRU'S REQUESTED**
5 **INCREASE OF \$1,349,690?**

6 A. No, I am not. The OPC is still recommending that KWRU's requested rate base of
7 \$7,043,724 be reduced by \$1,548,403 to no more than \$5,495,321. The adjustments as
8 shown on Exhibit_(HWS-1), Schedule B include a reduction to plant of \$652,972, a
9 reduction to accumulated depreciation, an increase to rate base of \$37,876 and a reduction
10 to working capital of no more than \$933,307.

11 The recommended adjustments to operating expenses as shown on Exhibit_(HWS-1),
12 Schedule C-1 total \$488,804. The adjustments consist of various O&M adjustments
13 totaling \$343,671, a reduction to depreciation expense of \$132,424 and a reduction taxes
14 other of \$12,708.

15

16 **Q. PLEASE DESCRIBE THE EFFECT OF THE CHANGES CONTAINED IN**
17 **KWRU'S REBUTTAL ON ITS REQUESTED RATE INCREASE.**

18 A. KWRU initially proposed a revenue increase of \$1,349,690 which is a 57.9% increase to
19 its current revenues. (Company Schedule B-2). Revisions to the MFR's filed on December
20 12, 2017 and December 13, 2017 continued to reflect an increase of \$1,349,690. On
21 February 19, 2018, the Company submitted a third³ revised Schedule B-8 that reflected a
22 reduction to O&M expenses from \$2,533,058 to \$2,520,930. I am not aware of a
23 subsequent filing to Schedule B-2 to reflect this change or to reflect the impact to the

³ The page submitted in Document No. 01510-2018 indicated Second Revised; however, it is the third revision submitted by KWRU.

1 Company's requested revenue increase. The rebuttal testimony filed on April 10 and 11,
2 2018 proposed a higher revenue increase of \$1,429,184. Rate base was initially
3 \$7,043,724; in the rebuttal filing, it is \$7,173,187. While the overall change is not
4 significant in either the revenue requirement or in rate base, there is significant concern as
5 to how the Company developed its rebuttal results.

6

7 **Q. WHEN DID YOU LEARN YOU WOULD NEED TO PREPARE SURREBUTTAL**
8 **BY FRIDAY, MAY 4, 2018?**

9 A. On May 1, 2018, I received an email from J.R. Kelly at 10:32 A.M. informing me about
10 the need to develop expedited surrebuttal.

11

12 **Q. WHEN YOU AGREED TO PROVIDE YOUR SERVICES, WERE YOU**
13 **ANTICIPATING THE NEED TO PROVIDE SURREBUTTAL TESTIMONY?**

14 A. No, I was not anticipating surrebuttal testimony and planned my other professional
15 consulting obligations accordingly. I also did not anticipate that KWRU would be afforded
16 the opportunity to amend its rate case in rebuttal and increase costs beyond its original
17 petition and MFRs. In order to provide this expedited surrebuttal testimony, I have been
18 forced to suspend the work I was preparing for my other clients in an attempt to
19 appropriately assist the OPC in this docket and work extra time to meet deadlines.
20 Fortunately, I was able to make the time in my busy consulting schedule to do so on such
21 short notice.

22

23 **Q. DO YOU HAVE ANY CONCLUDING COMMENTS YOU WOULD LIKE TO**
24 **MAKE?**

1 A. Yes, I do. I was not provided adequate time to thoroughly analyze and investigate the new
2 information provided by KWRU in rebuttal testimony. By not allowing sufficient time, it
3 shifts the burden of proof from the Company to ratepayers. The fact that KWRU is even
4 allowed to include the changes, in my opinion, establishes bad precedent in favor of the
5 applicant and to the detriment of ratepayers. This will inevitably give utilities in the future
6 the ability to constantly update their initial petitions and MFR's throughout the process
7 while leaving the statutory deadlines and the hearing schedule unchanged, thus,
8 "squeezing" the ratepayers from a time standpoint and eliminating the possibility for them
9 to receive rates that are truly justified and reasonable.

10

11 **Q. DID OPC CONDUCT DISCOVERY ON THE COMPANY'S REBUTTAL?**

12 A. No written discovery was propounded. It is my understanding that OPC and KWRU had
13 an agreement that depositions would be conducted instead of sending interrogatories. The
14 depositions were held on April 24 and 25, 2018. As to additional requests for production
15 of documents, if KWRU did not provide adequate documentation in its rebuttal testimony
16 to support all the new changes, it did not make sense to give them a second bite at the apple.

17

18 **Q. DOES THIS COMPLETE YOUR SURREBUTTAL TESTIMONY?**

19 A. Yes, it does.

Line No.	Rate Base adjustments Description	Original Wastewater	Rebuttal Wastewater	Changes
1	(A) Utility Plant in Service			
2	Total Test Year Adjustment to Utility Plant in Service	\$ 3,218,095	3,218,095	0
3	(5) Pro Forma Plant Additions:			
4	354.3 Lift Station	146,393	146,393	0
5	380.4 WWTP Rehabilitation	1,104,764	1,165,523	60,759
6	380.4 Chlorine Contact Chamber	1,071,814	1,109,960	38,146
7	380.4 Sludge Drying Beds	15,450	15,450	0
8	380.4 Generator	321,006	390,551	69,545
9	371.3 Tow behind generator	83,470	57,916	(25,554)
10	390.7 Telephone System	15,000	11,009	(3,991)
11	391.7 Service Truck with Crane	74,174	65,105	(9,069)
12	354.7 Office Structures & Improvements	288,000	288,000	0
13	395.7 New sandsifter	44,300	43,110	(1,190)
14	(6) Plant Retirements due to Pro Forma Plant Additions			0
15	395.7 Retire old sandsifter	(36,443)	(36,443)	0
16	354.5 Retire old office building		(68,795)	(68,795)
17	371.3 Retire old liftstation		(109,795)	(109,795)
18	380.4 Retire old Chlorine Contact Chamber		(832,470)	(832,470)
19	395.7 Retire old sandsifter		(128,257)	(128,257)
20	Total Pro Forma Adjustment to Utility Plant in Service	\$ 3,127,928	\$ 2,117,258	\$ (1,010,671)
21				
22	Total Adjustments to Utility Plant in Service	\$ 6,346,024	\$ 5,335,353	\$ (1,010,671)
23				
24	(B) Non-Used & Useful Adjustment			
25	Plant in Service	3,427,854	3,475,862	48,008
26	Accumulated Depreciation	(775,597)	(776,931)	(1,334)
27	Total Non-Used & Useful Adjustments to Utility Plant in Service	\$ 2,652,257	\$ 2,698,931	\$ 46,674
28				
29	(C) Construction Work in Progress			
30	Remove CWIP	\$ (1,311,463)	(1,311,463)	0
31				
32	(D) Accumulated Depreciation			
33	Total Test Year Adjustment to Accumulated Depreciation	(265,211)	(265,211)	0
34	(3) Pro Forma Plant Additions			
35	354.3 Replace Lift Station	2,437	2,437	0
36	380.4 WWTP Rehabilitation	30,712	32,402	1,690
37	380.4 Chlorine Contact Chamber	29,796	30,857	1,061
38	380.4 Sludge Drying Beds	430	430	0
39	380.4 Generator	8,924	10,857	1,933
40	371.3 Tow behind generator	2,320	1,610	(710)
41	390.7 Telephone System	1,250	550	(700)
42	391.7 Service Truck with Crane	6,182	5,427	(755)
43	354.7 Office Structures & Improvements	4,795	4,795	(0)
44	395.7 New sandsifter	1,845	1,796	(49)
45	(4) Pro Forma Plant Retirements			0
46	395.7 Retire old sandsifter	(36,443)	(36,443)	0
47	354.5 Retire old office building		(68,795)	(68,795)
48	371.3 Retire old liftstation		(109,795)	(109,795)
49	380.4 Retire old Chlorine Contact Chamber		(832,470)	(832,470)
50	395.7 Retire old sandsifter		(128,257)	(128,257)
51	Total Pro Forma Adjustments to Accumulated Depreciation	\$ 52,251	\$ (1,084,599)	\$ (1,136,849)
52				
53	Total Adjustments to Accumulated Depreciation	\$ (212,960)	\$ (1,349,809)	\$ (1,136,849)
54				
55	(E) Working Capital			
56	Per Schedule A-17	2,133,620	2,133,620	0
57	Unamortized rate case expense prior rate case (1/2 of one year)	(53,854)	(53,854)	0
58	Last stand amortization (1/2 of one year)	(49,697)	(49,697)	0
59	Proforma Unamortized portion of hurricane expense (Total minus 1/2 year amortization)	189,063	239,021	49,958
60	Total Working Capital	\$ 2,219,132	\$ 2,269,090	\$ 49,958
61				
62	Source is Original and Rebuttal Company Schedule A-3.			

Line No.	Net Operating Income Adjustments Description	Original Wastewater	Rebuttal Wastewater	Changes
1	(A) Adjustments to Revenues			
2	(1) Prior Period Billings			
3	Total adjustment for prior period billings	137,670	137,670	0
4	(2) Customer Refunds per Docket No. 150071-SU	165,832	165,832	0
5	(3) Annualized Revenue Adjustment	(101,282)	(101,282)	0
6	Total Adjustment to Test Year Revenue	<u>\$ 202,220</u>	<u>\$ 202,220</u>	<u>\$ -</u>
7	(4) Revenue Increase			
8	Increase in revenue required by the Utility to realize a			
9	7.45% rate of return to 7.70% rate of return	\$ 1,349,690	1,429,184	79,494
10	Total Adjustments to Revenues	<u>\$ 1,551,910</u>	<u>\$ 1,631,404</u>	<u>\$ 79,494</u>
11	(B) Adjustments to Operations & Maintenance Expenses			
12	(1) Test Year Adjustments			
13	Total Test Year Adjustments to Operations & Maintenance Expenses	<u>\$ 160,410</u>	<u>160,410</u>	<u>0</u>
14	(2) Pro Forma Adjustments to Operations & Maintenance Expenses			
15	(a) To reflect annualized O&M expenses:			
16	701 Salaries & Wages - Employees	200,879	167,564	(33,315)
17	701 Salaries & Wages - Employees: OT extraordinary event			
18	1,302 hrs of OT for 42 day period amortized over 5 years	10,605	10,605	0
19	703 Salaries & Wages - Officers, Etc.	15,957	17,127	1,170
20	704 Employee Pensions & Benefits:			
21	TY actual 20.67% X proforma salaries	44,820	38,176	(6,644)
22	Additional 1% cost of traditional pension X total salaries	10,141	35,768	25,627
23	711 Sludge Hauling	70,248	46,724	(23,524)
24	715 Purchased Power	46,154	79,014	32,860
25	718 Chemicals	89,276	88,688	(588)
26	757 Insurance - General Liability	17,633	17,633	(0)
27	758 Insurance - Workman's Comp.	8,839	7,373	(1,466)
28	(b) 775 Adjustment for additional cost of fiber for telephone expense	12,647	12,380	(267)
29	775 Monthly POTS line for dedicated line	0	960	960
30	(c) 775 Adjustment to Miscellaneous Exp for hurricane expenses amortized over 4 years	54,018	68,292	14,274
31	Total pro forma adjustments to O & M Expense	<u>\$ 581,217</u>	<u>\$ 590,304</u>	<u>\$ 9,087</u>
32				
33	(3) Amortization of rate case expense per Schedule B-10	<u>\$ 71,100</u>	<u>96,821</u>	<u>25,721</u>
34				
35	Total Adjustment required to O&M Expenses	<u>\$ 812,726</u>	<u>\$ 847,535</u>	<u>\$ 34,809</u>
36				

Line No.	Net Operating Income Adjustments Description	Original Wastewater	Rebuttal Wastewater	Changes
1	(C) Adjustments to Depreciation Expense			
2	Total Depr Expense -Test Year Adjustments	\$ 185,311	185,311	0
3	(2) Depreciation expense related to Pro Forma plant additions			
4	354.4 Replace Lift Station	4,875	4,875	0
5	380.4 WWTP Rehabilitation	61,425	64,803	3,378
6	380.4 Chlorine Contact Chamber	59,593	61,714	2,121
7	380.4 Sludge Drying Beds	859	859	(0)
8	380.4 Generator (WWTP)	17,848	21,715	3,867
9	371.3 Tow Behind Generator (lift stations)	4,641	3,220	(1,421)
10	390.7 Telephone System	2,501	1,101	(1,400)
11	391.7 Service Truck with Crane	12,365	10,853	(1,512)
12	354.7 Office Structures & Improvements	9,590	9,590	(0)
13	395.7 Power Operated Equipment	3,690	3,591	(99)
14	(3) Adjust depreciation expense for plant retirement			0
15	354.4 Vacuum Station Structure (February 2017)	(4,293)	(4,293)	0
16	395.7 Power Operated Equipment	(3,037)	(3,037)	0
17	355.4 Power Generated Equipment		(6,413)	(6,413)
18	354.7 Office Structures & Improvements		(2,293)	(2,293)
19	Total Depr Expense - Pro Forma Plant additions	\$ 170,056	\$ 166,285	(3,771)
20				\$ (7,543)
21	(4) Non Used & Useful Adjustment to Depreciation Expense	\$ (163,044)	(165,713)	(2,669)
22	Total Adjustment to Depreciation Exp, Net of Amortization	\$ 192,323	\$ 185,883	\$ (6,440)
23				
24	(D) Adjustments to Taxes Other Than Income			
25	(1) Adjust Payroll Taxes for pro forma salary increase	\$ 15,367	12,819	(2,548)
26	(2) To adjust test year RAF's for adjusted test year revenues			
27	RAF Adjustment Required for Adjusted Test Year Revenues	\$ 6,234	6,234	0
28	(3) Adjust Property Taxes			
29	(a) To adjust to property tax paid	\$ 386	386	0
30	(b) Total Net Plant Additions	\$ 6,558,983	6,685,162	
31	Millage rate	9,4797	9,4797	
32	Increase in ad valorem taxes for plant additions	\$ 62,177	63,373	1,196
33	(c) Nonused and useful (NUU plant x 9.4797 millage)	\$ (32,495)	(32,950)	(455)
34	(d) Total Net Plant Additions		5,780,735	
35	Less Amount on Line 48		(3,483,306)	
36	Additional Amount Subject to Property Tax		2,297,429	
37	Millage rate		9,4797	
38	Increase in ad valorem taxes for plant additions		21,779	21,779
39	Total Adjustment to Property Tax	\$ 29,682	52,202	22,520
40	Sub-Total Adjustments to TOTI	\$ 51,669	\$ 71,641	\$ 19,972
41	(5) To adjust RAF's for requested revenues			
42	(a) Total RAF Adjustments due to Requested Increase	\$ 60,736	64,313	3,577
43				
44	Total Adjustment Taxes Other Than Income	\$ 112,405	\$ 135,954	\$ 23,549

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Expedited Surrebuttal Testimony of Helmuth W. Schultz, III has been furnished by electronic mail on this 4th day of May, 2018, to the following:

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