

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of K.W.)
Resort Utilities Corporation for)
limited proceeding increase)
in reuse water rates.)

Docket No. 970229-SU

APPLICATION FOR LIMITED PROCEEDING INCREASE IN REUSE WATER RATES

Applicant, K.W. Resort Utilities Corporation (hereinafter "K.W. Resort" or "Applicant"), pursuant to Sections 367.0822, Florida Statutes, files this Application for limited proceeding increase in rates for reuse water service provided to the public in Monroe County, Florida, based upon an analysis of the true cost of providing such services. Applicant is a Class B wastewater utility as defined by Rule 25-30.115(1), Florida Administrative Code ("F.A.C."). Its 1996 historical test year reuse revenues totalled \$9,815.00. The Applicant incurred a loss from overall regulated utility services of over \$117,000 for calendar year 1995.

I.

The following information is provided in accordance with the requirements of Rule 25-22.036(7), F.A.C.:

- (a) The name and address of the applicant is:

K.W. Resort Utilities Corporation
c/o Gerard Staudt, V.P.
Asset Management
Citicorp Real Estate
599 Lexington Ave., 25th Floor
New York, NY 10043

Check with filing and
forwarded to Fiscal for deposit.
Fiscal to forward a copy of check
to RAR with proof of deposit.

Initials of person who forwarded check:

A-D

- (b) Applicant's interest:

Applicant is a wastewater utility as defined by Section 367.021(12), Florida Statutes, and is not exempt from regulation by the Commission pursuant to Section 367.022, Florida Statutes. Except as provided in Section 367.081(4), Florida Statutes,

1998 FEB 21 5

FPSC-RECORDS/REPORTING

Applicant's rates and charges may not be changed without approval of the Commission.

On December 23, 1994, the Applicant requested approval of a new class of service for reuse water from the Commission. The Applicant submitted a simplified justification for a charge of \$.38 per thousand gallons for such service. The Commission, at the Applicant's request, approved a rate of \$.25 per thousand gallons for reuse water service pursuant to Order No. PSC-95-0335-FOF-SU on March 10, 1995, in Docket No. 941323-SU.

The Applicant has now performed a more indepth analysis of the cost of providing reuse service (Exhibit A) and believes that the recipients of such service should bear an appropriate burden based upon the actual cost of providing such service.

The Applicant is currently in a loss situation and anticipates substantial expenditures in the very near future in order to expand its existing wastewater treatment facilities (approximately \$900,000 in capital costs). In anticipation of that additional investment and the need for recovery of the used and useful portions thereof, K.W. Resort wishes to implement a charge for reuse water rates which will help to reduce the impact on its wastewater customers of those required improvements while at the same time charging reuse customers the appropriate charge based on the actual cost of providing them reuse service.

The only alternative available to reuse customers for irrigation water suitable for irrigating their properties is through the purchase of potable water from the Keys Aqueduct Authority at \$5.68 per thousand gallons. The Applicant is

requesting approval of a reuse rate of \$1.25 per thousand gallons for reuse service which is substantial savings over the alternative cost of suitable water available to the customers in need of such service.

II.

Attached hereto as Exhibit "A", is a special report prepared by the Applicant's outside accountants to reflect the calculation of the cost of providing reuse service and the components thereof as well as the rate necessary in order to pass those costs on to the reuse customer. Under the Applicant's proposal as outlined in Exhibit "A", the Applicant requests approval of a reuse rate of \$1.25 per thousand gallons of reuse water sold. The cost justification contained in Exhibit "A" shows an estimated cost of providing reuse service of approximately \$1.60 per thousand gallons. The increase requested will generate an additional \$39,259.00 in reuse revenues over the \$9,815 in revenues generated for the 12 months ended November 30, 1996, as outlined on Schedule No. 3 of Exhibit "A".

III.

Attached hereto as Exhibit "B" are revised tariff sheets proposed to be utilized by the Applicant in order to implement this change in rates.

IV.

K.W. Resort believes that processing of this request for an increase in reuse rates is a prerequisite to the determination of both the appropriate amount of and timing of any proposed increase in wastewater rates to be filed by the Applicant in the

future. Rather than pursue a full rate case to recover this one change needing immediate consideration and in order to properly assess the timing of and amount of any increase in wastewater service charges, the Applicant hereby requests that this change in reuse rates be recognized in a limited proceeding under the Commission's authority provided for in Section 367.0822, Florida Statutes.

V.

At this time, there are no known disputed issues of material fact in this matter.

VI.

Other information which the Applicant deems relevant is as follows:

(a) The filing fee submitted herewith is a check in the amount of \$1,000 as the appropriate filing fee for this application in accordance with Rule 25-30.020(2)(g)4, F.A.C. for systems with existing capacity to serve between 501 to 2,000 ERCs.

(b) Copies of all orders, notices, correspondence and other communications concerning this application are to be provided to counsel to the Applicant whose name and address as is follows:

F. Marshall Deterding
ROSE, SUNDSTROM & BENTLEY
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(904) 877-6555

VII.

Applicant requests that the Commission consider the information supplied herein and approve this application for limited proceeding and the rate calculated in Schedule No. 1 of Exhibit "A" on a permanent basis in an expeditious manner. The Utility is currently in the process of expending substantial funds in up grading of its wastewater treatment facilities and resolution of the issue concerning the appropriate reuse rate to be utilized by the Utility is a prerequisite to a determination of the immediacy of the need for an increase in general wastewater service rates and the amount of any such increase. Therefore, time is of the essence in the processing of this application.

Respectfully submitted this
21st day of February, 1997, by:

ROSE, SUNDSTROM & BENTLEY
2548 Blairstone Pines Drive
Tallahassee, Florida 32301
(904) 877-6555



F. MARSHALL DETERDING

K.W. Resort Utilities Corporation

Special Report

Reuse Rate Increase

January 10, 1997

EXHIBIT

A

K.W. Resort Utilities Corporation
Special Report
Reuse Rate Increase

Index

<u>Schedule No.</u>	<u>Page</u>	<u>Description</u>
		Accountants' Report
1	1	Calculation of Proposed Reuse Rate and Impact on Operating Income (Loss)
2	2-3	Allocation of Operating Expenses between Treatment, Disposal, and Reuse
3	4	Schedule of Reuse Gallons Sold, Billed, and Treated
4	5	Schedule of Present and Proposed Reuse Rate

Cronin, Jackson, Nixon & Wilson
CERTIFIED PUBLIC ACCOUNTANTS, P.A.

JAMES L. CARLSTEDT, C.P.A.
JOHN H. CRONIN, JR., C.P.A.
ROBERT H. JACKSON, C.P.A.
ROBERT C. NIXON, C.P.A.
HOLLY M. TOWNER, C.P.A.
JAMES L. WILSON, C.P.A.

2560 GULF-TO-BAY BOULEVARD
SUITE 200
CLEARWATER, FLORIDA 34625-4419
(813) 791-4020
FACSIMILE
(813) 797-3602

January 10, 1997

Officers and Directors
K.W. Resort Utilities Corporation

In accordance with your request, we have prepared the accompanying Special Report of K.W. Resort Utilities Corporation, consisting of the schedules listed in the preceding Index.

This report is intended solely for use as part of an application for a utility reuse rate increase, to be filed with the Florida Public Service Commission.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.

Cronin, Jackson, Nixon & Wilson

CRONIN, JACKSON, NIXON & WILSON

K.W. Resort Utilities Corporation
Calculation of Proposed Reuse Rate and Impact on Operating Income (Loss)
For the Year Ended November 30, 1996

(A) Calculation of proposed reuse rate	
Total reuse expenses (Schedule No. 2)	\$ <u>62,810</u>
Divide by reuse gallons sold (000) (Schedule No. 3)	<u>39,259</u>
Total reuse cost per 1,000 gallons	\$ <u>1.60</u>
Total reuse cost requested	\$ 1.19
Factor for Regulatory Assessment Fee	<u>0.955</u>
Total reuse rate requested	\$ <u>1.25</u>
(B) Impact on operating income	
Existing reuse rates per 1,000 gallons	\$ 0.25
Proposed reuse rate per 1,000 gallons	<u>1.25</u>
Proposed increase per 1,000 gallons	1.00
Total gallons sold (000)	<u>39,259</u>
Increase in revenue	\$ <u>39,259</u>
1995 operating income (loss) per Annual Report	\$ (117,773)
Proposed increase in revenue	39,259
Regulatory Assessment Fees (\$39,259 x 4.5%)	<u>(1,767)</u>
Proforma operating income (loss) after increase	\$ <u>(80,281)</u>

Note: As demonstrated above, the revenue increase associated with the requested reuse rate will not cause the Utility to over earn. No significant change in operations, revenues, or expenses occurred in 1996 and the impact on 1996 operating income (loss) is expected to be similar to the proforma 1995 impact shown above.

K.W. Resort Utilities Corporation
Allocation of Operating Expenses between Treatment, Disposal, and Reuse
For the Year Ended November 30, 1996

	Total Expense	Treatment & Disposal (1)	Treatment, Disposal & Reuse (2)	Reuse Allocation Percentage (3)	Reuse Expenses
Collection System Operations:					
Repairs, maintenance & line cleaning	\$ 41,369	\$ 41,369	-	-	-
General Operating Expenses:					
Chemicals & supplies	42	42			
Insurance	6,185		\$ 6,185	70.36	\$ 1,856
Transportation	5,150	5,150			
Billing & mailing	3,313	3,313			
Telephone & fax	1,949	1,949			
Purchased power	41,416	4,517	36,899	30.00 (5)	11,070
Legal	72	72			
Accounting	2,787	2,787			
Other	175	175			
Office supplies	8,735	8,735			
Licenses & permits	61		61	70.36	43
Outside services:					
Office & management	74,739	74,739			
Janitorial	55	55			
Security	440		440		310
Painting	40	40			
Bank charges	95	95			
Miscellaneous	501	501			
Total	145,755	102,170	43,585	-	13,279
Plant Operations:					
Chemicals & supplies	5,325		5,325	70.36	3,747
Outside services & plant operation	44,661		44,661	Note (4)	27,040
Equipment testing	50		50	70.36	35
Equipment repairs & maintenance	16,098		16,098	70.36	11,327
Filter beds	419		419	100.00	419
Generator	664	664			
Grounds maintenance	2,848	2,848			
Lube & oil	77	77			
Overtime	0				
Plant repairs & maintenance	2,813		2,813	70.36	1,979
Equipment rental	1,430	1,430			
Sanitation	1,226	1,226			
Sludge disposal	7,052	7,052			
Supplies	58		58	70.36	41
Testing	1,371		1,371	70.36	964
Transportation	350	350			
DEP permit	18,411	18,411			
Total	102,853	32,058	70,795	-	45,552
Real estate taxes	5,855		5,855	70.36	3,919
Total Expenses	\$ 295,632	\$ 175,597	\$ 120,035	-	\$ 62,750

K.W. Resort Utilities Corporation
 Allocation of Operating Expenses between Treatment, Disposal, and Reuse
 For the Year Ended November 30, 1996

Notes: (1) Expenses which benefit and are incurred for the general body of rate payers and occur without regard to providing irrigation quality reuse water.

(2) Expenses which benefit and are incurred for both the general body of rate payers and reuse customers.

(3) The allocation percentage for operating expenses (excluding labor and purchased power) which relate to both treatment and disposal and reuse is based on the ratio of reuse gallons sold to total gallons treated as follows:

Total reuse gallons sold (000)	39,259
Total gallons treated (000)	55,797
Reuse percentage	70.36%

(4) Labor/contract operator costs are based on additional operating time associated with public access spray irrigation versus disposal via on-site injection well as follows:

Increased operating time 2 hrs. per day/ 5 days per week	520 hrs.
Cost per man hour	\$ 40
	20,800
 Weekends - 1 hr. day/2 days per week	 104
Cost per man hour	 60
	 6,240
 Total reuse related cost	 \$ 27,040

(5) No clear-cut methodology exists to quantify and allocate treatment plant electric costs between reuse and normal treatment and disposal costs. Recognizing that such allocations are more "art" than "science," the Utility has allocated 30% of plant electric expense to reuse costs. Such percentage recognizes that a substantial portion of the effluent produced by the plant benefits the reuse customer, while also recognizing that the general body of rate payers benefit from treatment and disposal services, whether a reuse customer exists or not.

K.W. Resort Utilities Corporation
 Schedule of Reuse Water Sold, Billed, and Treated
 For the Year Ended November 30, 1996

<u>Month</u>	<u>Reuse Gallons Sold (000)</u>	<u>Exsting Reuse Rate Per 1,000</u>	<u>Amount Billed</u>	<u>Gallons Treated (000)</u>
December, 1995	3,768	\$ 0.25	\$ 942	3,780
January, 1996	3,682	0.25	920	4,118
February, 1996	3,743	0.25	936	3,264
March, 1996	3,204	0.25	801	3,528
April, 1996	3,788	0.25	947	3,789
May, 1996	3,102	0.25	776	4,024
June, 1996	3,114	0.25	778	3,386
July, 1996	4,200	0.25	1,050	4,200
August, 1996	4,556	0.25	1,139	5,542
September, 1996	1,730	0.25	433	5,686
October, 1996	768	0.25	192	8,512
November, 1996	<u>3,604</u>	0.25	<u>901</u>	<u>5,968</u>
	<u>39,259</u>		<u>\$ 9,815</u>	<u>55,797</u>

K.W. Resort Utilities Corporation
Schedule of Present and Proposed Reuse Rate
For the Year Ended November 30, 1996

	<u>Present Rate</u>	<u>Proposed Rate</u>
Reuse rate per 1,000 gallons	<u>\$ 0.25</u>	<u>\$ 1.25</u>

KW RESORT UTILITIES CORP.
WASTEWATER TARIFF

FIRST REVISED SHEET NO. 7.7
Cancels Original Sheet No. 7.7

REUSE OF RECLAIMED WATER
TO KEY WEST COUNTRY CLUB, INC.

Charge for Reclaimed Water: \$1.25 per 1,000 gallons
of reclaimed water

Reimbursement to Utility for monies or fees or charges the Utility may incur for testing samples of water withdrawn from monitoring wells on golf course. (Actual Cost)

Reimbursement to Utility for monies, fees or charges that Utility may incur in connection with daily testing of sewage in water in golf course storage pond. (Actual Cost)

Nelda Sullivan
ISSUING OFFICER

Vice President
TITLE

EFFECTIVE DATE:

TYPE OF FILING: Limited Proceeding



In re: Application of K.W.)
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(a) The name and address of the applicant is:

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c/o Gerard Staudt, V.P.
Asset Management
Citicorp Real Estate
599 Lexington Ave., 25th Floor
New York, NY 10043

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In re: Application of K.W. Resort Utilities Corporation for limited proceeding increase in reuse water rates.

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Docket No. 970229

APPLICATION FOR LIMITED PROCEEDING INCREASE IN REUSE WATER RATES

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(a) The name and address of the applicant is:

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c/o Gerard Staudt, V.P.
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Citicorp Real Estate

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ROSE, SUNDSTROM & BENTLEY 4-87
ATTORNEYS AT LAW
P.O. BOX 1567 PH. 877-8555
TALLAHASSEE, FL 32302-1567

16603

February 21, 97

PAY TO THE ORDER OF

Florida Public Service Commission

\$1,000.00

One Thousand and 00/100

DOLLARS



215 South College Street
Tallahassee, Florida 32301

Handwritten signature of Gerard Staudt