

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, August 7, 2018, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: July 27, 2018

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the item number.

To participate informally, affected persons need only appear at the conference and request the opportunity to address the Commission on an item listed on the agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing. See Florida Administrative Code Rules 25-22.0021 (agenda conference participation) and 25-22.0022 (oral argument).

Conference agendas, staff recommendations, vote sheets, and transcripts are available online at <http://www.floridapsc.com>, by selecting *Conferences & Meeting Agendas* and *Commission Conferences of the FPSC*. An official vote of "move staff" denotes that the Item's recommendations were approved.

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ITEM NO.

CASE

1**

Consent Agenda

PAA

A) Application for Certificate of Authority to Provide Telecommunications Service.

DOCKET NO.

COMPANY NAME

20180098-TX

Batchlink Inc.

Recommendation: The Commission should approve the action requested in the docket referenced above and close the docket.

ITEM NO.

CASE

2**PAA

Docket No. 20180004-GU – Natural gas conservation cost recovery.

Critical Date(s): 09/26/18 (Petition Deemed Approved if Not Granted or Denied within 90 Days of Receipt pursuant to Section 120.542(8), Florida Statutes)

Commissioners Assigned: All Commissioners

Prehearing Officer: Clark

Staff: GCL: Dziechciarz

ECO: Coston

Issue 1: Should the Commission grant Peoples Gas System, Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company-Fort Meade, Florida Public Utilities Company-Indiantown Division, Florida City Gas, St. Joe Natural Gas Company, and Sebring Gas System's Petition for waiver of Rule 25-17.015(1)(b), Florida Administrative Code?

Recommendation: Yes. Staff recommends that the Commission grant the Petition for waiver of Rule 25-17.015(1)(b), F.A.C., requested by Peoples Gas System, Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company-Fort Meade, Florida Public Utilities Company-Indiantown Division, Florida City Gas, St. Joe Natural Gas Company, and Sebring Gas System, Inc. The waiver will allow the utilities to provide annual estimated/actual true-up filings showing six months actual data and six months of projected data for a period of two years to cover the August 2018 and August 2019 filings.

Issue 2: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should not be closed upon the issuance of a consummating order. The ECCR docket is ongoing and this docket should remain open for further Commission action.

ITEM NO.

CASE

3**PAA

Docket No. 20170253-WU – Application for grandfather water certificate in Leon County by Lake Talquin Water Company, Inc.

Critical Date(s): 09/03/18 (Statutory Rule Waiver Deadline)

Commissioners Assigned: All Commissioners

Prehearing Officer: Polmann

Staff: GCL: Mapp

ENG: Watts

Issue 1: Should the Commission grant Lake Talquin Water Company, Inc.'s request for variance or waiver of Rule 25-30.120, F.A.C.?

Recommendation: Yes, the Utility has demonstrated that the underlying purpose of the statute will be or has been achieved by other means, and that strict application of the rule would create a substantial hardship. Therefore, staff recommends that the Commission grant Lake Talquin's request for waiver of Rule 25-30.120, F.A.C., for a period of one year from the date of the Commission's vote, or until the Commission grants the Utility's grandfather certificate and rates are approved, whichever occurs first.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. This docket should remain open pending the Commission's final decision regarding the Utility's application for grandfather water certificate and rates are approved.

ITEM NO.

CASE

4**PAA

Docket No. 20180087-EI – Complaint against Florida Power & Light Company regarding safety of transformers supplying power to six residential buildings in South Winds Condominium, by Manuel Blanco.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Fay

Staff: GCL: Page

CAO: Plescow

ENG: Moses

Issue 1: What is the appropriate disposition of Mr. Blanco's formal complaint?

Recommendation: Mr. Blanco's formal complaint should be denied. FPL did not violate any applicable statute, rule, standard, company tariff or order of the Commission in maintaining the transformers at issue in Mr. Blanco's complaint, including the transformer next to Mr. Blanco's unit at South Winds Condominium.

Issue 2: Should this docket be closed?

Recommendation: Yes, if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon issuance of a consummating order.

ITEM NO.

CASE

5**PAA

Docket No. 20180109-EI – Petition for initiation of formal proceedings for relief against Florida Power & Light Company regarding backbilling for alleged meter tampering and disconnection, by Terry A. Avera.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Clark

Staff: GCL: Schrader, J. Crawford

CAO: Hicks, Plescow

ECO: Merryday

ENG: Graves, Salvador

Issue 1: What is the appropriate disposition of Mr. Avera's formal complaint?

Recommendation: The appropriate disposition of Mr. Avera's formal complaint is to deny the complaint. Mr. Avera's account was properly billed in accordance with Commission statutes and rules and FPL's tariffs, in the amount of \$11,638.09. FPL did not violate any applicable statute, rule, company tariff or order of the Commission in the processing of Mr. Avera's account. In addition, the Commission lacks the subject matter jurisdiction to award money damages. Thus, the Commission cannot rule on Mr. Avera's claim for monetary damages.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

6**

Docket No. 20180124-EQ – Petition for declaratory statement concerning leasing of solar equipment, by Vivint Solar Developer, LLC.

Critical Date(s): 08/21/18 (Final Order must be issued by this date pursuant to Section 120.565(3), Florida Statutes)

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: GCL: Harper

IDM: B. Crawford

(Parties May Participate at the Commission's Discretion)

Issue 1: Should the Commission grant Vivint's Petition for Declaratory Statement?

Recommendation: Yes. Based on the facts presented by Vivint, the Commission should grant Vivint's Petition and declare: (1) Vivint's proposed residential solar equipment lease, as described by its petition, will not be deemed to constitute a sale of electricity; (2) Offering its solar equipment lease, as described in its petition, to consumers in Florida will not cause Vivint to be deemed a public utility; and (3) The residential solar equipment lease described in its petition will not subject Vivint or Vivint's customer-lessees to regulation by this Commission. The Commission should also state that its declaration is limited to the facts described in Vivint's Petition and would not apply to different, alternative facts.

Issue 2: Should this docket be closed?

Recommendation: Yes, if the Commission votes to either grant or deny the Petition for Declaratory Statement, the docket should be closed.

ITEM NO.

CASE

7**PAA

Docket No. 20170230-WU – Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.

Critical Date(s): 03/15/19 (15 Month Effective Date (SARC))

Commissioners Assigned: All Commissioners

Prehearing Officer: Clark

Staff: ENG: Knoblauch, Graves

AFD: Frank, Johnson, Norris

ECO: Bruce, Hudson

GCL: DuVal

(Proposed Agency Action - Except for Issue Nos. 10, 11, and 12)

Issue 1: Is the quality of service provided by Orange Land Utilities, LLC satisfactory?

Recommendation: Staff recommends that the overall quality of service provided by Orange Land is satisfactory.

Issue 2: What are the used and useful (U&U) percentages of Orange Land Utilities, LLC's WTP and distribution system?

Recommendation: Orange Land's WTP and distribution system should continue to be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW); therefore, staff recommends that no adjustment be made to operating expenses for chemicals and purchased power.

Issue 3: What is the appropriate average test year rate base for Orange Land Utilities, LLC?

Recommendation: The appropriate average test year rate base for Orange Land is \$29,381.

Issue 4: What is the appropriate return on equity and overall rate of return for Orange Land Utilities, LLC?

Recommendation: The appropriate return on equity (ROE) is 10.32 percent with a range of 9.32 percent to 11.32 percent. The appropriate overall rate of return is 8.46 percent.

Issue 5: What are the appropriate test year revenues for Orange Land Utilities, LLC?

Recommendation: The appropriate test year revenues for Orange Land's water system are \$22,617.

Issue 6: What is the appropriate amount of operating expense for Orange Land Utilities, LLC?

Recommendation: The appropriate amount of operating expense for Orange Land is \$25,240.

Issue 7: What is the appropriate revenue requirement for Orange Land Utilities, LLC?

Recommendation: The appropriate revenue requirement is \$27,727 resulting in an annual increase of \$5,110 (22.60 percent).

ITEM NO.

CASE

7**PAA

Docket No. 20170230-WU – Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.

(Continued from previous page)

Issue 8: What is the appropriate rate structure and rates for Orange Land Utilities, LLC's water system?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4 of staff's memorandum dated July 26, 2018. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 9: What are the appropriate initial customer deposits for Orange Land Utilities, LLC water system?

Recommendation: The appropriate initial customer deposit should be \$64 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 10: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8) F.S.?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated July 26, 2018, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. Orange Land should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

ITEM NO.

CASE

7**PAA

Docket No. 20170230-WU – Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.

(Continued from previous page)

Issue 11: Should the recommended rates be approved for Orange Land Utilities, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Orange Land should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated July 26, 2018. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 12: Should Orange Land Utilities, LLC be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. Orange Land should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. Orange Land should submit a letter within 90 days of the final order in this docket, confirming that it has made the adjustments to all applicable National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA). In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

ITEM NO.

CASE

7**PAA

Docket No. 20170230-WU – Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.

(Continued from previous page)

Issue 13: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

8**

Docket No. 20180088-EI – Petition for limited proceeding for approval of a smart meter opt-out tariff, by Duke Energy Florida, LLC.

Critical Date(s): 12/04/18 (8-Month Effective Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECO: Merryday, Draper

GCL: Mapp

Issue 1: Should the Commission approve Duke's proposed opt-out tariff?

Recommendation: Yes, the Commission should approve Duke's proposed opt-out tariff. The effective date should be on the first billing cycle of December 2018. Within three months after the AMI smart meter deployment is completed, Duke should report to the Commission (with a filing in this docket) on the costs of the program, revenues, and actual participation.

Issue 2: Should this docket be closed?

Recommendation: Yes. If a protest is filed within 21 days of the issuance of the order, these tariffs should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon issuance of a consummating order.

ITEM NO.

CASE

9**PAA

Docket No. 20180127-EI – Petition for approval of temporary territorial variance, by Tampa Electric Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ECO: Doherty
GCL: Schrader

Issue 1: Should the Commission approve TECO's petition for a temporary territorial variance?

Recommendation: Yes. The petition for the approval of a temporary territorial variance is in the public interest and should be approved. During the period of its retail electric service to the Four Corners South facility in Hardee County, TECO should report to the Commission on an annual basis regarding the status of such temporary service through its conclusion. TECO should file its first status report in the docket file in August 2019, or sooner if concluded.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

ITEM NO.

CASE

10**

Docket No. 20180117-GU – Petition for approval of tariff modifications for use of natural gas for gas heat pumps by customers, by Peoples Gas System.

Critical Date(s): 01/09/19 (8-Month Effective Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECO: Guffey, Merryday, Coston

GCL: Schrader, J. Crawford

Issue 1: Should the Commission approve Peoples' petition to modify its tariffs shown in Attachment A for the use of natural gas for GHP systems?

Recommendation: Yes. The Commission should approve Peoples' petition to modify its tariffs shown in Attachment A of staff's memorandum dated July 26, 2018, for the use of natural gas for GHP systems. The proposed tariffs should become effective on August 7, 2018.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective on August 7, 2018. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

11**PAA

Docket No. 20170086-SU – Investigation into the billing practices of K W Resort Utilities Corp. in Monroe County.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECO: Friedrich, Hudson

GCL: Mapp

(Show Cause Issue 1 - Proposed Agency Action Issues 2-7)

Issue 1: Should KWRU be ordered to show cause, in writing, within 21 days, why it should not be fined for apparent violations of Sections 367.081(1) and 367.091(3), F.S., regarding approved rates?

Recommendation: Yes. KWRU should be ordered to show cause, in writing within 21 days, as to why it should not be fined a flat fee in the amount of \$1,000 for failing to charge its approved rates, as required by Sections 367.081(1) and 367.091(3), F.S.

Issue 2: What is the appropriate time period to be considered for potential refunds?

Recommendation: The appropriate time period to be considered for potential refunds is from April 2013 through March 2016.

Issue 3: Should KWRU be required to refund monies to Safe Harbor Marina? If so, what is the appropriate amount that should be refunded?

Recommendation: Yes. KWRU should be required to refund \$26,408 with interest in accordance with Rule 25-30.360, F.A.C to Safe Harbor Marina. The refund should be completed within 90 days of the consummating order and documentation supporting the final refund should be provided within 10 days of the completed refund.

Issue 4: Should KWRU be required to refund monies regarding its billing practices to Sunset Marina? If so, what is the appropriate amount that should be refunded?

Recommendation: Yes. KWRU should be required to refund \$41,034 with interest in accordance with Rule 25-30.360, F.A.C to Sunset Marina. The refund should be completed within 90 days of the consummating order and documentation supporting the final refund should be provided within 10 days of the completed refund.

Issue 5: Should KWRU be required to refund monies regarding its billing practices for pools? If so, what is the appropriate amount that should be refunded?

Recommendation: No. KWRU should not be required to refund monies regarding its billing practices for pools.

Issue 6: Should KWRU be required to refund general service customers that were billed BFCs based on units instead of meters? If so, what is the appropriate amount that should be refunded?

Recommendation: No. KWRU should not be required to refund general service customers that were billed BFCs based on units instead of meters.

ITEM NO.

CASE

11**PAA

Docket No. 20170086-SU – Investigation into the billing practices of K W Resort Utilities Corp. in Monroe County.

(Continued from previous page)

Issue 7: Should KWRU be required to refund monies regarding its billing practices for Roy's Trailer Park? If so, what is the appropriate amount that should be refunded?

Recommendation: No. KWRU should not be required to refund monies regarding its billing practices for Roy's Trailer Park.

Issue 8: Should this docket be closed?

Recommendation: If the Commission approves Issue 1 and KWRU timely responds in writing to the Order to Show Cause, this docket should remain open to allow for the appropriate processing of the response. If KWRU responds to the show cause order by remitting the fine, this show cause matter will be considered resolved. If the Commission approves Issue 1 and KWRU does not remit payment, or does not respond to the order to show cause, this docket should remain open to allow the Commission to pursue collection of the amounts owed by the utility. If the Commission approves the recommended refunds in Issues 3 and 4, this docket should remain open until staff verifies that the utility has made the ordered refunds. Once the show cause matter is resolved and all ordered refunds have been made and verified by staff, this docket should be closed administratively.

ITEM NO.

CASE

12

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Critical Date(s): 8-Month Effective Date 08/13/18

Commissioners Assigned: Polmann, Clark, Fay

Prehearing Officer: Polmann

Staff: AFD: D. Andrews, D. Buys, Frank, Hightower, Johnson, Norris, Sowards

ECO: Friedrich, Hudson

ENG: Graves, Knoblauch

GCL: J. Crawford, Mapp

(Post-Hearing Decision - Participation is Limited to Commissioners and Staff)

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

Recommendation: The overall quality of service for the KWRU wastewater system is satisfactory.

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?

Recommendation: Staff recommends sole source bidding for the WWTP rehabilitation project was appropriate. The bidding process used for the lift station replacement and modular office building was also appropriate.

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

Recommendation: No adjustments are necessary to rate base.

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

Recommendation: The appropriate balance of plant in service is \$18,851,107. Accordingly, plant in service should be decreased by \$1,036,688.

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

Recommendation: The appropriate balance of accumulated depreciation to be included in rate base is \$5,236,657. Accordingly, accumulated depreciation should be reduced by \$1,041,034.

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

Recommendation: The appropriate amount of contributions-in-aid-of-construction (CIAC) to be included in rate base is \$10,406,318. Accordingly, there should be no adjustments to CIAC.

ITEM NO.

CASE

12

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

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

Recommendation: The appropriate amount of accumulated amortization of CIAC to be included in rate base is \$3,898,064. Accordingly, there should be no adjustments to accumulated amortization of CIAC.

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

Approved Stipulation: The Wastewater Collection System is 100% Used and Useful; the Wastewater Treatment Plant is 71.5% Used and Useful.

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

Recommendation: The appropriate working capital allowance to be included in rate base is \$1,095,946. Therefore, working capital allowance should be reduced by \$1,123,186.

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

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$6,080,883.

Issue 11: What is the appropriate capital structure?

Approved Stipulation: The appropriate capital structure consists of 49.43 percent common equity and 50.57 percent long-term debt based on investor sources before reconciliation to rate base.

Issue 12: What is the appropriate return on equity?

Approved Stipulation: The appropriate return on equity is 10.39 percent based on the current leverage formula.

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

Recommendation: The appropriate cost of long-term debt is 5.39 percent.

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

Recommendation: Based on the proper components, amounts and cost rates associated with the capital structure for the test year ended June 30, 2017, the appropriate weighted average cost of capital for purposes of setting rates in this proceeding is 7.67 percent.

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

Recommendation: The appropriate billing determinants to use to establish test year revenues are 30,128 factored ERCs, 217,179,000 gallons for wastewater service, and 40,608,000 gallons for reuse service.

Issue 16: What are the appropriate test year revenues?

Recommendation: Staff recommends the appropriate test year revenues are \$2,359,611.

ITEM NO.

CASE

12

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

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

Recommendation: Operation and Maintenance (O&M) expense should be adjusted to account for Audit Finding 4, as reflected in Issues 20, 21, and 27.

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

Recommendation: The appropriate amount of salaries and wage expense is \$930,485. Accordingly, salaries and wage expense should be decreased by \$83,645.

Issue 19: What is the appropriate amount of employee pensions and benefits expense?

Recommendation: The appropriate amount of employee pensions and benefits expense is \$214,070. Accordingly, employee pensions and benefits expense should be decreased by \$3,487. KWRU should be required to submit documentation to the Commission for the profit sharing plan detailing the percentage of contribution allocated to each employee and officer of the Utility on a yearly basis as a supplemental schedule to be included with the Company's annual report. If the Utility reduces its contribution or terminates the plan, the Utility should notify the Commission in writing within 30 days. If the plan is modified or terminated, the Commission may take further action, if necessary.

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

Recommendation: The appropriate expense amounts are \$164,848 for sludge hauling, \$231,742 for chemicals, and \$232,003 for purchased power. Accordingly, purchased power expense should be increased by \$13,237.

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

Recommendation: The appropriate amount of materials and supplies expense is \$42,468. Accordingly, materials and supplies expense should be decreased by \$55,070. Further, a corresponding adjustment should be made to increase contractual services – other by \$43,290.

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

Recommendation: The appropriate amount of contractual services – engineering expense is \$9,395. Accordingly, contractual services – engineering expense should be decreased by \$11,370.

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

Recommendation: The appropriate amount of insurance – worker's comp expense is \$32,212. Accordingly, insurance – worker's comp expense should be decreased by \$3,861.

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

Recommendation: The appropriate amount of bad debt expense is zero.

ITEM NO.

CASE

12

Docket No. 20170141-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

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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?

Recommendation: Staff recommends a total of \$234,979 for hurricane costs. This expense should be amortized over five years for an annual expense of \$46,996. Based on the Utility's original MFR filing, the annual amortization of hurricane costs should be decreased by \$7,022.

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

Recommendation: The appropriate amount of miscellaneous expense is \$198,978. Accordingly, miscellaneous expense should be decreased by \$3,888. Miscellaneous expense should also be decreased for adjustments to pro forma expenses, as reflected in Issues 26 and 28.

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

Recommendation: The appropriate amount of pro forma telephone expense is \$7,665. Accordingly, telephone expense should be decreased by \$4,982. The appropriate amount of pro forma insurance – general liability is \$17,633. All other pro forma expenses are discussed in Issues 18, 19, 20, 24, and 26.

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

Recommendation: The appropriate amount of rate case expense is \$381,012. This expense should be amortized over four years for an annual expense of \$95,253. Based on the Utility's original MFR filing, the annual amortization of rate case expense should be increased by \$24,153.

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

Recommendation: Adjustments should be made to advertising expense and contractual services – testing. Advertising expense should be reduced by \$4,775 to \$1,028, and contractual services – testing should be reduced by \$1,504 to \$18,429.

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

Recommendation: Based upon staff's recommended adjustments in Issues 17 through 30, the appropriate amount of O&M expense is \$2,432,875.

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

Recommendation: The appropriate amount of depreciation expense (net of CIAC) should be \$303,134. Accordingly, net depreciation expense should be decreased by \$33,349.

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

Recommendation: The appropriate amount of Taxes Other Than Income (TOTI) should be \$299,822. Accordingly, TOTI should be increased by \$11,903.

Issue 34: What is the appropriate revenue requirement? (fall out)

Recommendation: The appropriate revenue requirement is \$3,502,098.

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

Recommendation: There should be no adjustments to test year billing determinants for setting final rates and charges.

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

Recommendation: The appropriate rate structure and rates for wastewater service are shown on Schedule No. 4 of staff's memorandum dated July 26, 2018. The Utility should file revised tariff sheets and a proposed customer notice to reflect Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

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

Recommendation: The appropriate rate for KWRU's reuse service is \$2.01 per 1,000 gallons. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 38: What are the appropriate miscellaneous service charges?

Recommendation: Staff recommends the miscellaneous service charges shown in Table 38-1 of staff's memorandum dated July 26, 2018, be approved for KWRU. The approved charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

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Issue 39: What is the appropriate late payment charge?

Recommendation: The appropriate late payment charge for KWRU is \$7.47. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475 F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

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

Recommendation: The appropriate lift station cleaning charge for KWRU is \$1,526.82. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475. F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 41: What are the appropriate initial customer deposits?

Recommendation: The appropriate initial customer deposit should be \$161 for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other meter sizes and customer classes should be two times the average estimated bill. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

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

Recommendation: The appropriate AFPI charges are shown on Table 42-1 of staff's memorandum dated July 26, 2018. The Utility should file revised tariff sheets and a proposed notice reflecting the approved charges. KWRU should provide notice to property owners who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheet. The Utility should provide proof of noticing within 10 days of rendering its approved notice.

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

Recommendation: KWRU's wastewater rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated July 26, 2018 to remove \$99,741 of wastewater rate case expense, grossed-up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.0816, F.S. KWRU should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If KWRU files this reduction in conjunction with a price index and/or pass through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

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?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense which was not in effect during the interim period. No refund should be required because the total interim collection period revenue requirement calculated is greater than the total interim revenue requirement granted. As a result, the corporate undertaking amount of \$78,925 should be released.

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

Recommendation: Staff recommends KWRU provide a proposed asset management and preventative maintenance plan for the Commission's consideration at the time of the Utility's next rate case.

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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?

Recommendation: Yes, the Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with any Commission ordered adjustments. KWRU should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 47: Should this docket be closed?

Recommendation: No. This docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.