



December 13, 2017

E-FILING

Carlotta S. Stauffer, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

RE: Docket No. 20170141-SU; Application for an increase in wastewater rates in Monroe County by
K W Resort Utilities Corporation
Our File No. 34000.04

Dear Ms. Stauffer:

The following are K.W. Resort Utilities Corp.'s ("Utility") responses to the Staff's second deficiency letter dated December 13, 2017:

1. KWRU's 2016 Annual Report Schedule E-10(a) shows charges from Key West Golf Club during the test year. Unlike charges from another related party, Green Fairways, Inc., these amounts were not removed from the test year as an adjustment in the Utility's filing. As such, pursuant to the requirements of Rule 25-30.436(4)(h), Florida Administrative Code (F.A.C.), the following information should be provided, in addition to reporting all costs on MFR Schedule B-12, for Key West Golf Club:
 - a. The total costs being allocated or charged prior to any allocation or charging as well as the name of the entity from which the costs are being allocated or charged and its relationship to the Utility. **Total cost \$1,720 in expenses for lay down yard during wastewater treatment plant expense paid to Key West Golf Club LLC which was treated as a capital expenditure. \$8,932 for purchase of a used pick truck which was treated as a capital expenditure. Staff Holiday party which was part of the bonus compensation of each employee and equaled \$80 per employee.**
 - b. The allocation or direct charging method used and the basis for using that method. **The costs were directly charged.**
 - c. The work papers used to develop, where applicable, the basis for the direct charging method. **The cost for the lay down space equaled to \$200 per month plus applicable sales tax of \$15 per month. which is well below any cost that can be obtained for yard space in the Florida Keys.**
 - d. A copy of any contracts or agreements between the Utility and its parent or affiliated companies for services rendered between or among them. **There are no contracts as these were singular cost items.**

2. Rule 25-30.437, F.A.C., requires that each Class A utility applying for a rate increase shall provide the information required by Commission Form PSC/ECR 19 (11/93), entitled “Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements.” The following MFR schedules, as originally filed, do not comply with Rule 25-30.437, F.A.C., and they were not correctly revised in response to staff’s first deficiency letter.
- a. On revised MFR Schedule B-8, the CPI-U for the prior test year is incorrect. It should be 234.812, the CPI-U from the last month of the test year, not the annual average.

In addition, the Utility is required to provide an explanation of all differences in excess of the benchmark factor for customer growth and inflation. When revising MFR Schedule B-8, please provide an explanation for expenses in excess of the revised benchmark factor.
See Attachment – Schedule B-8 (revised).

- b. The revised MFR Schedule E-14 in “Attachment 2. c. iii.” includes one bill which is not reflected in the Utility’s revised MFR Schedule E-2 in “Attachment 2. C. iv.”
 - i. Please further revise MFR Schedule E-2 to reconcile with the revised MFR Schedule E-14. **The E-2 as filed reflects the actual billing. Upon receipt of the Final Order, KWRU combined the Harbor Shores bill into a single bill for 251,000 gallons in March 2017. The March bill did not include a base facility charge; as a general service customer the billing of base charges is in arrears. The E-14 reflects that there was a single bill for 251,000 gallons, however there is not a way to indicate that it is a bill for gallonage only. Please note that the annualized rates column (13) on E-2 shows an adjustment to Harbor Shores reflecting that there will be 12 bills for the base facility charge.**
 - ii. Additionally, please submit a revised MFR Schedule B-3 that reflects all corresponding revisions to MFR Schedule E-2. **No revisions to the B-3 is necessary, as the annualized revenues and related adjustments do not change.**

Should you or staff have any questions, please do not hesitate to give me a call.

Very truly yours,

/s/ Martin S. Friedman

MARTIN S. FRIEDMAN
For the Firm

MSF/

cc: Chris Johnson (via e-mail)
Bart Smith, Esquire (via e-mail)
Erik Sayler, Esquire (via e-mail)
Kyesha Mapp, Esquire (via e-mail)
Andrew Maurey (via email)

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

Schedule: B-8 2nd Revised
 Page 1 of 1
 Preparer: Milian, Swain & Associates, Inc.

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

Line No.	(1) Account No. and Name	(2) Prior TY 12/31/2014	(3) Current TY 6/30/2017	(4) TY Adj.'s per B-3	(5) Adjusted TY 6/30/2017	(6) \$ Difference	(7) % Difference	(8) Explanation
1	701 Salaries & Wages - Employees	\$ 559,944	\$ 541,065	\$ 211,484	\$ 752,549	\$ 192,605	34.40	Increase in expenses due to fully staffing plant; plus overtime for extraordinary events.
2	703 Salaries & Wages - Officers, Etc.	222,956	245,624	15,957	261,581	38,625	17.32	Under benchmark
3	704 Employee Pensions & Benefits	138,905	162,596	54,961	217,557	78,652	56.62	Increase in expenses due to fully staffing plant and participation in Pension Plan by more employees due to a more traditional pension vs 401K with 4% max match.
4	710 Purchased Sewage Treatment	-	-	-	-	-	-	
5	711 Sludge Removal Expense	77,177	94,601	70,248	164,849	87,672	113.60	Due to increase in quantity of biosolids that can't be processed on the drying beds.
6	715 Purchased Power	173,548	172,612	46,154	218,766	45,218	26.06	Increase in expenses as a result of changes in operations as a consequence of having to upgrade the WWTP to AWT standards.
7	716 Fuel for Power Purchased	-	-	-	-	-	-	
8	718 Chemicals	184,229	142,466	89,276	231,742	47,513	25.79	Reflects the amount of chemical the Utility requires to meet the DEP Permit conditions on a consistent basis.
9	720 Materials & Supplies	31,119	97,538	-	97,538	66,419	213.44	Materials and supplies are directly related to the number of plant and maintenance personnel. For example, when the Utility carries less staff the Utility often can't do small capital projects in house. Generally in these cases the small capital projects are awarded to outside contractors.
10	731 Contractual Services - Engr.	18,650	20,765	-	20,765	2,115	11.34	Under benchmark
11	732 Contractual Services - Acct.	30,967	12,050	-	12,050	(18,917)	(61.09)	Under benchmark
12	733 Contractual Services - Legal	6,018	11,179	-	11,179	5,161	85.77	Legal issues arise from time to time that are not attributable to a customer or capital project which fluctuate year to year. Legal expenses related to loans, which ultimately lower rates to customers, as well as addressing utility agreements and regulatory compliance provide for routine legal costs, which are reflected in the test year.
13	734 Contractual Services - Mgmt. Fees	-	47,097	(47,097)	-	-	-	
14	735 Contractual Services - Testing	18,243	19,933	-	19,933	1,690	9.26	Under benchmark
15	736 Contractual Services - Other	45,054	-	-	-	(45,054)	(100.00)	Under benchmark
16	741 Rental of Building/Real Prop.	1,100	514	-	514	(586)	(53.31)	Under benchmark
17	742 Rental of Equipment	-	1,723	-	1,723	1,723	100.00	De minimus amount, small equipment rental
18	750 Transportation Expenses	24,092	25,908	-	25,908	1,816	7.54	Increase in staff causes increase in transportation exp but large repair expense can skew these results year/year.
19	756 Insurance - Vehicle	-	-	-	-	-	-	
20	757 Insurance - General Liability	41,444	43,216	17,633	60,849	19,405	46.82	Due to new asset (\$5M Expansion Project). Also an claim was filed to the automotive fleet insurance for an employee accident.
21	758 Insurance - Workman's Comp.	28,648	27,234	8,839	36,073	7,425	25.92	Workmen's Comp Expense is related to payroll expense and job type or classification. The Utility got hit on both, we are carrying more payroll overall and we have staffed positions that are much more dangerous than administrative positions.
22	759 Insurance - Other	-	-	-	-	-	-	
23	760 Advertising Expense	1,075	5,803	-	5,803	4,728	439.84	Extreme turnover yields advertising expense for Help Wanted Ads. Utility hired wastewater specific personnel and therefore had to advertise in trade publications that were statewide.
24	766 Reg. Comm. Exp. - Rate Case Amort.	107,707	-	178,807	178,807	71,100	66.01	Not subject to Benchmark indexing
25	767 Reg. Comm. Exp. - Other	-	-	-	-	-	-	
26	770 Bad Debt Expense	-	-	-	-	-	-	
27	775 Miscellaneous Expenses	144,079	48,405	166,464	214,869	70,790	49.13	Due to amortization of Last Stand expenses
28								
29	TOTAL	\$ 1,854,955	\$ 1,720,331	\$ 812,726	\$ 2,533,058	\$ 678,103	36.56	
30								
31	Total Customers (ERC's)	4,039.0			4,753.0	714	17.68	
32	Consumer Price Index - U	234.812			244.955	10.14	4.32	
33								
34	Benchmark Index: Increase in Customer ERC's					1.1768		
35	Increase in CPI					1.0432		
36						1.2276		