

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. 150071-SU

DATED: October 14, 2016

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-16-0372-PCO-SU, filed September 15, 2016, the Staff of the Florida Public Service Commission files its Prehearing Statement.

1. All Known Witnesses

Witness

Subject

Iliana Piedra

Commission Staff's Audit Report of K W Resort Utilities Corporation

2. All Known Exhibits

Exhibit Title

IHP-1 Auditor's Report - KW Resort Utilities Corporation

3. Staff's Statement of Basic Position

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

4. Staff's Position on the Issues

Legal Issue

ISSUE 1: CONTESTED Does the Commission have the authority to update the test year requested by KWRU and approved by the Commission Chairman to set rates representative of the period in which new growth-related plant will be placed into service and in which expenses associated with such new plant will be incurred?

POSITION: Staff has no position pending evidence adduced at the hearing.

Test Year

ISSUE 2: Is a two-phased revenue requirement calculation appropriate in this docket?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 3: What is the appropriate test year for establishing rates for KWRU?
A. For Phase I, if applicable
B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

Quality of Service

ISSUE 4: Is the quality of service provided by KWRU satisfactory?

POSITION: Staff has no position pending evidence adduced at the hearing.

Rate Base

ISSUE 5: What adjustments, if any, should be made to account for the audit adjustments to rate base in each of Staff's Audit Findings 1 through 7?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 6: What is the appropriate amount of plant in service to be used in setting rates?
A. For Phase I, if applicable
B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 7: What is the appropriate amount of accumulated depreciation to be used in setting rates?
A. For Phase I, if applicable
B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 8: What is the appropriate amount of CIAC to be used in determining the rate base that is used for setting rates?
A. For Phase I, if applicable
B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 9: What is the appropriate amount of accumulated amortization of CIAC to be used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 10: What is the appropriate amount of construction work in progress (CWIP) to be used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 11: What is the used and useful (U&U) percentage of the Utility's wastewater treatment plant after the treatment plant expansion is placed into service?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 12: What is the appropriate working capital allowance?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 13: What is the appropriate rate base? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

Cost of Capital and Capital Structure

ISSUE 14: What is the appropriate capital structure to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 15: What is the appropriate return on equity?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 16: What is the appropriate cost of long-term debt?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 17: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year period? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

Net Operating Income

ISSUE 18: Should the members of Harbor Shores Condominium Unit Owners Association, Inc. (Harbor Shores) be classified as Residential customers or a General Service customer?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 19: What are the appropriate bills and gallons to use to establish test year revenues and rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 20: What is the appropriate amount of miscellaneous revenues to be included in test year revenues and rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 21: What is the appropriate amount of test year revenues for KWRU's wastewater system? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 22: What adjustments, if any, should be made to account for the audit adjustments in each of Staff's Audit Findings 3, 4, 5, 10, and 11 to operating expenses?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 23: What are the appropriate annual levels of O&M expenses for implementing advanced wastewater treatment (AWT)?

- A. For Phase I, if applicable

B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 24: What adjustments, if any, should be made to pro forma contractual services accounting and engineering fees?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 25: What adjustment, if any, should be made to KWRU's test year expenses for management fees charged by Green Fairways?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 26: What is the appropriate amount of rate case expense?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 27: What is the appropriate amount and accounting treatment of accounting fees incurred by the utility to restate its 2007 to 2012 Annual Reports?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 28: What is the appropriate amount and accounting treatment of fees associated with the legal challenge of KWRU's FDEP Permit Numbers FLA014951-012-DWIP, 18490-020, and 18490-021 for rate-setting purposes?

A. For Phase I, if applicable

B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 29: What is the appropriate amount of depreciation expense to be used in setting rates?

A. For Phase I, if applicable

B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 30: What is the appropriate amount of taxes other than income to be used in setting rates?

A. For Phase I, if applicable

B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

Revenue Requirement

ISSUE 31: What is the appropriate revenue requirement? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

POSITION: Staff has no position pending evidence adduced at the hearing.

Rates and Rate Structure

ISSUE 32: What are the appropriate rate structures and rates for KWRU's wastewater system?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 33: What is the appropriate rate for KWRU's reuse service?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 34: What are the appropriate miscellaneous service charges to be charged by KWRU?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 35: Should KWRU be authorized to collect Non-Sufficient Funds (NSF) charges?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 36: Should KWRU request to implement a late payment charge be approved?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 37: Should KWRU's be authorized to collect a Lift Station Cleaning charge?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 38: If the Commission approves a rate increase for KWRU, when and under what circumstances should it be implemented?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 39: Should any portion of the implemented PAA rates be refunded? If so, how should the refund be calculated, and what is the amount of the refund?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 40: Should the Utility's approved service availability policy and charges be revised?

POSITION: Staff has no position pending evidence adduced at the hearing.

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ISSUE 41: CONTESTED Should Harbor Shores have been classified as a General Service customer since the last rate case in 2009, and, if so, what action should the Commission take to refund the excess payments made by Harbor Shores since 2009?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 42: CONTESTED Did KWRU bill and collect revenues in accordance with its approved tariffs? If not, what is the appropriate remedy?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 43: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 44: 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?

POSITION: Staff has no position pending evidence adduced at the hearing.

ISSUE 45: Should this Docket be closed?

POSITION: Staff has no position pending evidence adduced at the hearing.

5. Stipulated Issues

There are no stipulated issues at this time.

6. Pending Motions

Staff has no pending motions at this time.

7. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality claims or requests.

8. Objections to Witness Qualifications as an Expert

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

9. Compliance with Order No. PSC-16-0372-PCO-SU

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

Respectfully submitted this 14th day of October, 2016.

/s/ Kyeshia Mapp

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

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DATED: October 14, 2016

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original of STAFF'S PREHEARING STATEMENT has been filed with Office of Commission Clerk and one copy has been furnished to the following by electronic mail, on this 14th day of October, 2016:

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