**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

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| In re: Application for Increase In Wastewater Rates in Monroe County By K W Resort Utilities Corp. | DOCKET NO. 150071-SU<br>FILED: December 9, 2016 |

**MONROE COUNTY'S POST-HEARING STATEMENT OF ISSUES AND POSITIONS AND BRIEF**

Monroe County, Florida (the "County")[1], pursuant to the Order Establishing Procedure in this docket, Order PSC-16-0194-PCO-SU, issued May 17, 2016, as revised, and the Prehearing Order in this docket, Order PSC-16-0509-PHO-SU issued November 3, 2016, and amended by the Amendatory Order, PSC-16-0509A-PHO-SU issued November 15, 2016, hereby submits the County's Post-hearing Statement of Issues and Positions and Brief.

**SUMMARY**

K W Resort Utilities Corp. ("KWRU" or the "Utility") is required by the provisions of Chapter 367, Florida Statutes, and Chapter 25-30, Florida Administrative Code ("F.A.C.") to provide safe, efficient, and sufficient service to all customers within

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[1] In this Post-hearing Statement of Issues and Positions and Brief, the following additional abbreviations are used: the Citizens of the State of Florida, represented by the Office of Public Counsel, are referred to as "Citizens" or "OPC"; K W Resort Utilities Corp. is referred to as "KWRU" or the "Utility"; Harbor Shores Condominium Unit Owners Association, Inc. is referred to "Harbor Shores"; OPC, KWRU, the County, and Harbor Shores are collectively referred to as the "Parties"; and "Commission" refers to the Florida Public Service Commission. Citations to the hearing transcript are in the form "TR (page number)," with the name of the witness preceding the TR cite where appropriate. Citations to hearing exhibits are in the form "EXH (Exhibit number) (page number where appropriate)."

its certificated service area on Stock Island, Florida, at fair, just, and reasonable rates, charges, and conditions of service. In this proceeding, the Commission is called upon to determine what rates and charges are to be imposed, charged, and collected by KWRU for the wastewater treatment service that it provides to its customers on Stock Island. The statutory requirement to provide "efficient" service must mean that KWRU is required to fulfill its statutory obligation to serve at the lowest possible total cost.

Further, rates paid by KWRU's customers, and indeed by any utility's customers, must accurately reflect and recover the costs actually incurred to serve them, including matching the rates paid to the costs incurred in the same time periods in which such costs are incurred. This is the Commission's fundamental policy of ratemaking - that cost-causers should pay the costs incurred to serve them - and it should be followed in this case. Following this sound, established policy will ensure that KWRU's customers receiving service in 2016 will ultimately have paid the costs to serve them in 2016, and that customers receiving service in 2017 and 2018, after the new permanent rates set in this proceeding take effect, will pay the costs incurred to serve them in 2017 and 2018.

Although not unique in this regard, this case presents significant issues of achieving the proper matching of costs and rates because the Utility's filing is based on a 2014 historic test year with certain, limited "pro forma" adjustments to rate-determinative factors and variables chosen by KWRU. The rates to be paid by KWRU's customers, however, did not even begin to apply to their service until the imposition of the rates approved by the Commission's PAA Order No. 16-0123-PAA-SU (the "PAA Rates") beginning on or about April 15, 2016, some 16 months after the end of the Utility's proposed test year. The need to match costs and billing determinants ***in this case*** is further magnified by the fact that the major drivers of KWRU's requested rate increase - a new wastewater treatment plant ("WWTP") and a new air vacuum tank, along with the O&M costs associated with the new WWTP - are not expected to be serving customers until March or April of 2017, more than two full years after the end of the Utility's proposed test year. Deason, TR 530. Thus, the first year that the new permanent rates will be in effect is the ***third*** year following the Utility's proposed test year; this is unusual. Swain, TR 823-24.

Under these circumstances, in order to achieve fair, just, and reasonable rates and charges, the Commission must ensure that the amounts of both KWRU's rate base and its O&M expenses are properly assigned to the time periods in which those costs are incurred to provide public service. Deason, TR 531-34. This can be accomplished ***either*** by using a different test year or years ***or*** by making corresponding "pro forma" adjustments in key variables – including billing determinants and Contributions in Aid of Construction – to achieve proper matching of rates paid and costs incurred. Deason, TR 547. The substantive point is the same: for rates to be fair, just, and reasonable, customers should pay rates based on the cost to serve them and based on the amounts of service purchased in the time period when those rates are in effect; otherwise, the utility's rates are likely to be distorted and likely not to be fair, just, and reasonable. Deason, TR 531-32, 534 KWRU, however, wishes to have its revenue requirements based on costs projected for 2017 and 2018, more than two years after its "historic" test year, while ignoring additional sales and additional CIAC collected in the same future periods. KWRU's scheme would result in rates that are unfair, unjust, and unreasonable, and the Commission should reject the Utility's attempts and set appropriate rates that match the rates paid to the costs incurred.

In this case, KWRU has overstated both its rate base and its operating and maintenance ("O&M") expenses, and the Commission should accordingly adjust these cost amounts to appropriate levels, as supported by the testimony of the witnesses for the Citizens of the State of Florida ("Citizens") represented by the Office of the Public Counsel ("OPC"). The Commission should adjust the plant accounts as recommended by OPC's Witness

Patricia Merchant, and as to those items stipulated by the Parties. Notably among this latter category, the Parties have agreed to stipulate that the cost of the new air vacuum tank is $407,771, roughly 33 percent less than the previous estimate of $610,000 proffered by the Utility. KWRU has also overstated its rate base by understating the CIAC that it has collected, and that it is reasonably likely to collect, for the time periods in 2016 and 2017 that the PAA Rates have been in effect. KWRU also wants to charge ***mis***-matched rates starting in 2017 when the new permanent rates - referred to herein as Phase II Rates - will be in effect.

In addition to these corrections to the Utility's plant, CIAC, revenues, and O&M expenses, which are necessary to ***get the revenue requirements right*** for the time periods in which customers will be receiving and paying for service, the Utility's proposed rates are unfair, unjust, and unreasonable because they include estimated costs that KWRU alleges will be incurred in future periods while the rates designed to recover those costs would, as requested by KWRU, be calculated using outdated billing determinants or sales units, from KWRU's 2014 historical test year. Using costs for future years, including 2016, 2017, and 2018 to establish revenue requirements without correspondingly updating the billing determinants (number of bills rendered and number of gallons of wastewater treated and billed for) will result in a mismatch of cost incurrence and cost recovery, i.e., a distorted test year that is not properly representative of the utility's operations. Deason, TR 531-33. Specifically, under the Utility's proposals, recovering the greater costs that the Utility will incur in 2016, 2017, and 2018 over the smaller billing units experienced by the Utility in 2014, will result in such rates being greater than they should be. Rates collected should reflect costs incurred, and using mismatched costs and billing determinants will violate fundamental ratemaking principles, thereby resulting in rates that are not fair, just, and reasonable. In other words, it is critical that the Commission ***not only get the revenue requirements right***, but that it ***also get the rates right*** by matching costs incurred with the billing determinants that accurately reflect the amounts of wastewater service actually received and paid for by KWRU's customers.

Finally, the need for close Commission scrutiny of all of KWRU's claims and assertions is critical, in light of the Utility's track record of representing costs to the Florida PSC that it cannot justify and has not justified, and further considering KWRU's failure to fulfill its contractual promise to Monroe County that KWRU would achieve full implementation of Advanced Wastewater Treatment by January 1, 2007. TR 455 With regard to KWRU's track record of claims to the PSC of costs that it cannot and has not justified, refer to Commission Order No. 09-0057-FOF-SU, the Commission's Final Order in Docket No. 070293-SU, In re: Application for Increase in Wastewater Rates in Monroe County by K W Resort Utilities Corp., hereinafter Order No. 09-0057, by which the Commission disallowed substantial amounts of costs claimed by KWRU because KWRU could not document them, because they were facially duplicative, because they involved payments to affiliates and family members, or because of combinations of these factors; see also EXH 71, Monroe County's Supplemental Response to KWRU's Interrogatory No. 31.

Monroe County's Brief follows the numbered issues in the Prehearing Order. For some issues, the Brief simply states Monroe County's position without discussion, while on a number of issues, extensive discussion is provided.

## MONROE COUNTY'S POST-HEARING STATEMENT OF ISSUES AND POSITIONS AND BRIEF

### LEGAL ISSUE

**Issue 1:** **Deleted issue.**

### TEST YEAR

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

**Monroe County:** *Yes. To ensure that customers pay fair, just, and reasonable rates, the Commission must determine revenue requirements for the period of time during which the PAA Rates will be in effect before the new permanent rates become effective, and also determine the revenue requirements for the period starting when the new permanent Phase II Rates become effective.*

**Discussion**

KWRU has been collecting rates - known as the Phase I Rates or the PAA Rates - since approximately April 15, ***2016***. See PAA Order No. 16-0123-PAA-SU. The new permanent rates should become effective when the new assets - KWRU's new WWTP and its new air vacuum tank - are actually serving customers, which is expected to be in March or April ***2017***. Following the matching principle, it is critical to setting fair, just, and reasonable rates that the utility's authorized revenue requirements recover only the costs incurred to provide service when that service is provided. Deason, TR 531-34; Merchant, TR 305, 308-10, 328-29, 380-82.

Because the PAA Rates will be in effect for approximately one year before the new permanent rates ("Phase II Rates") become effective, and because the new WWTP that is largely driving the need for KWRU's requested rate increases will not be providing service to customers before March or April 2017, it is necessary to have a two-phased revenue requirement for KWRU in this docket, with the revenue requirement for the period ***before*** the new WWTP comes into service and the revenue requirement for the period starting ***when*** the new WWTP is actually serving customers, determined separately. Otherwise, the rates collected for the current Phase I period, i.e., ***before*** the new assets are actually serving customers, will not be fair, just, and reasonable, and customers will likely wind up over-paying vs. the cost to actually serve them. Deason, TR 534. Similarly, the new permanent Phase II Rates must also accurately reflect the costs incurred to serve customers ***after*** the new assets are serving customers. Deason, TR 534.

Among other things, with respect to both the Phase I revenue requirements and the Phase II revenue requirements, KWRU's rate base must be revised to reflect additional CIAC collected since the end of 2014 and that is reasonably projected to be collected during the times that the Phase I Rates and Phase II Rates are in effect, such that the plant account and the CIAC account are properly matched. See Deason, TR 531, Merchant, TR 327. At present, through the PAA Rates, KWRU is recovering costs based on future periods in which it will be operating its new WWTP, but that Plant will not be in service until March or April of 2017. Moreover, the new permanent rates or Phase II Rates to be effective after the new WWTP becomes commercially operational will have different revenue requirements and will serve additional customers over and above those served in the 2014 historic test year, as well as over and above those presently (as of October 2016) being served. KWRU's rate base must be revised to reflect additional CIAC collected since the end of 2014 and that is reasonably projected to be collected for the first 12 months after the new WWTP comes on-line, such that the plant account and the CIAC account are properly matched.

**Issue 3:** What is the appropriate test year for establishing rates for KWRU?

A. For Phase I, if applicable

**Monroe County:** *The most appropriate test year for establishing the Phase I revenue requirements is the 12-month period beginning on the date on which the PAA Rates became effective, which is on or about April 15, 2016.*

**Discussion**

The most appropriate test year for establishing the Phase I revenue requirements is the 12-month period beginning on the date on which the PAA Rates became effective, which is on or about April 15, 2016. It is not necessary to set rates for the Phase I period, as long as the refund is properly calculated and made based on the excess of revenues collected over what the Commission determines is the correct revenue requirement should have been for that period.

B. For Phase II, if applicable

**Monroe County:** *The appropriate test year for establishing Phase II Rates for KWRU is the 12-month period beginning on the date that the Utility's new WWTP achieves commercial operation and begins providing service to KWRU's customers.*

**Discussion**

The Phase II Rates for KWRU are the permanent rates that will be in effect from their effective date until new rates are approved in a future rate case. These Phase II Rates will enable KWRU to recover the costs of its new WWTP, O&M costs associated with that new WWTP, and the new air vacuum tank. To ensure that these rates are fair, just, and reasonable, the Commission must ensure that the costs of the Utility's new assets and associated O&M costs, which are to be recovered from customers after those assets go into service, are recovered through the rates paid by the customers served in that time period. Deason, TR 531-34. Failure to either use the proper test year or to update billing determinants so that they match the costs incurred when the rates will be in effect will result in distorted rates that are not fair, just, and reasonable. Deason, TR 531-34

In short, because the new WWTP will not be serving KWRU's customers until at least March 2017, the appropriate test year is, ***in fact***, the twelve-month period beginning when that plant goes into commercial operation and begins serving customers, i.e., March 2017-February 2018 or April 2017-March 2018. For practical purposes, it would be reasonable to use calendar year 2017 as a representative test year, although considering KWRU's continuing growth (see Issue 19), even that would likely understate sales.

Achieving fair, just, and reasonable rates through application of the matching principle can be achieved ***either*** by using a truly projected test year, ***or*** by using updated sales units to match the updated rate base and expense values that reflect the Utility's new assets (WWTP, air vacuum tank) and associated O&M costs. Deason, TR 547 In other words, the right result - or a very close approximation of that right result - can be achieved simply by updating KWRU's sales units; it is not necessary to use a fully projected test year. See Monroe County's discussion on Issue 19, below, as to how to get the best estimate of bills and gallons.

## QUALITY OF SERVICE

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

**Monroe County:** *No. KWRU's quality of service is not satisfactory because KWRU failed to treat wastewater to AWT standards for approximately five years (from 2010-15) even though KWRU asked for and received pro forma plant and O&M expenses to treat to AWT standards in its 2007 rate case and even though KWRU was contractually obligated to the County to do so.*

**Discussion**

Rule 25-30.433(1), F.A.C., provides that in determining the quality of service in a wastewater rate case proceeding, the Commission's evaluation shall include the quality of the utility's product (the wastewater) and the utility's attempts to address customer satisfaction. Rule 25-30.433(1), F.A.C., also provides that "testimony of the utility's customers should be considered." Unrebutted testimony from Monroe County, one of KWRU's customers, establishes that KWRU failed to treat wastewater to AWT standards for approximately five years. This failure to meet AWT standards adversely impacted both the quality of KWRU's product and the satisfaction of its customers with that product.

In KWRU's 2007 rate case (order issued in January 2009), KWRU requested, and the Commission authorized, pro forma plant and O&M expenses in order to enable the company to treat effluent to AWT standards prior to July 1, 2010. Merchant, TR 366; Final Order No. PSC-09-0057-FOF-SU, in Docket No. 070293-SU. However, the record demonstrates that in 2009, KWRU elected to stop treating wastewater to AWT standards in order to save money. Johnson, TR 124-25. KWRU's refusal to treat to AWT standards specifically violated an agreement between KWRU and Monroe County to treat to AWT standards. See Wilson, TR 452-53, 455-56. Thus, customers (including Monroe County) paid significantly higher rates for AWT service starting in 2009, but KWRU delivered a product of inferior quality (i.e., not treated to AWT standards).[2] For the years 2010 through 2015, KWRU concedes it did not treat to AWT standards. Johnson, TR 123-25 Since KWRU intentionally failed to deliver what it promised to the customers and what it told the Commission it would deliver, i.e., wastewater treatment to AWT standards, the quality of service should be deemed to be not satisfactory.

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[2] The fact that KWRU was not required by the State of Florida to meet AWT standards until January 1, 2016 is irrelevant to this analysis because KWRU increased its rates in the 2007 rate case to treat to AWT standards. See Order No. PSC-09-0057-FOF-SU.

## 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?

**Monroe County:** *Agree with OPC and with the adjustments addressed in the stipulations on rate base items agreed to by the Parties.*

**Discussion**

The Parties stipulated to adjustments consistent with Staff Audit Findings 1-5 and 7. In addition, the County agrees with OPC's recommendation to disallow certain deferred accounting fees Merchant, TR 340-41 and OPC's additional recommendation that any component of deferred litigation fees should be added to CWIP in Phase I rates and should be capitalized to plant in service for Phase II rates. Merchant, TR 332

**Issue 6:** What is the appropriate amount of plant in service to be used in setting rates?

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that Phase I plant in service should be $11,108,464.*

**Discussion**

The County agrees with OPC's recommendation that Phase I plant in service should be $11,108,464, which reflects adjustments made in Staff Audit Finding 1 and other adjustments suggested by OPC Witness Merchant. TR 313-15

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that Phase II plant in service should be $15,182,830.*

**Discussion**

Monroe County agrees with OPC's recommendation that Phase II plant in-service should be $15,182,830. EXH 25

**Issue 7:** What is the appropriate amount of accumulated depreciation to be used in setting rates?

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that accumulated depreciation ("AD") for Phase I should be $5,830,802.*

**Discussion**

Phase I AD should be $5,830,802. OPC Witness Merchant's proposed adjustments to AD incorporate the Parties' Stipulations; remove KWRU's proposed pro forma adjustment to AD for plant expansion of $196,281, TR 319; disallow the vacuum tank replacement in Phase I rates, TR 314-15; and disallow KWRU's proposed adjustment to annualized 2014 depreciation expense. TR 319-21. OPC's position is consistent with the matching principle and should be adopted by the Commission.

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that Phase II AD should be $6,876,849.*

**Discussion**

Phase II AD should be $6,876,849, which incorporates the Parties' Stipulations and uses the 2016 test year. Merchant, TR 322-23

**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

**Monroe County:** *Agree with OPC and with the adjustments addressed in the stipulations agreed to by the Parties.*

B. For Phase II, if applicable

**Monroe County:** *The appropriate amount of CIAC for Phase II is approximately $11,264,125, although the amount could be significantly greater. Accordingly, the Commission should require KWRU to report to the Commission regarding any significant additions to CIAC, such as may occur if the contemplated acquisition of the FKAA wastewater accounts in Key Haven is consummated.*

**Discussion**

Again, to ensure that KWRU's customers pay fair, just, and reasonable rates based on the costs that KWRU incurs to serve them, it is critical that the Utility's rate base be calculated consistently with both the investment made in its Plant in Service and the CIAC collected from customers during the time period in which customers are being charged for that plant. With respect to Phase II Rates, as discussed below and in Monroe County's discussions on several other issues, in order for the Utility's rates to be fair, just, and reasonable, those rates must be based on the Utility's costs to serve during the time that the rates are in effect. With respect to Phase II, the Utility will properly be allowed to recover the costs of its plant in service, including its new WWTP and its new air vacuum tank, and to get the revenue requirements and the rates right, the investment in those plant items must be reduced by additional CIAC collected from customers.

This is critically important because of the growth that KWRU is experiencing. The Utility's best estimate of its growth is 7.06 percent per year in additional gallons to be treated and charged for. Johnson, TR 657, EXH 106. And because the new WWTP and the new air vacuum tank are not going to be in service until sometime in 2017 (estimated to be March or April 2017), the Phase II rates must - in order to be fair, just, and reasonable - be based on the Utility's investment reduced by additional CIAC collected in 2016 and 2017. Witness Merchant estimated CIAC for 2016, but this does not capture all necessary adjustments.

A simple way of addressing the additional CIAC would be to escalate Witness Merchant's 2016 CIAC value by 7.06 percent, the Utility's own best estimate of its growth. This would produce a result of $11,473,930 for Phase II CIAC. This might or might not be sufficient to achieve correct calculations of CIAC and thus of rate base, for the following reasons.

Monroe County's Witness Mayté Santamaria, Monroe County's Director in charge of Planning and Environmental Resources, testified, without being rebutted by any KWRU witness and without being challenged on cross-examination by KWRU's attorneys, that there are four major development projects currently under way on

South Stock Island that will be served by KWRU, and that those projects will be complete in early to mid-2017. TR 497. This is contemporaneous, almost simultaneous, with the time when KWRU's new major assets will begin providing service to customers, and similarly contemporaneous with the projected effective date of KWRU's Phase II Rates. Ms. Santamaria's exhibits include the Monroe County Board of County Commissioners' resolutions for three of the four projects, the Bernstein Trust Project, the Oceanside Marina Project, and the Stock Island Marina Village Project. EXHs 44, 45, 46. The Bernstein Trust Project is projected to add 30,000 gallons per day ("gpd") of wastewater flow to KWRU, Santamaria, TR 502, which reflects approximately 1520 ERCs at 250 gpd per ERC. (The value of 250 gpd per ERC is supported by KWRU's Witness Edward Castle. TR 66) The Oceanside Marina Project is projected to add 26,125 gpd, Santamaria, TR 504, which would be an additional 104 ERCs. The Stock Island Marina Project is projected to add 16,680 gpd of flows to KWRU, Santamaria, TR 505, reflecting another 67 ERCs. These three projects are thus projected to add approximately 291 ERCs to KWRU's system before the middle of 2017. Further, the outlook for economic growth and development on South Stock Island is favorable and positive, Santamaria, TR 506, and there are no recent or anticipated events that would reduce the wastewater flows to KWRU. Id.

Moreover, Monroe County's Witness Kevin G. Wilson, P.E., the County's Assistant County Administrator for Public Works and also the County Engineer, testified that in practical terms, Section 403.086(10)(c), Florida Statutes requires all new residential and commercial establishments on Stock Island to connect to KWRU's system before they can obtain a certificate of occupancy. TR 463 He further testified that there are 24 unconnected existing commercial customers, with approximately 14,918 gpd of flows, approximately 60 ERCs at 250 gpd per ERC, that will be required to connect to KWRU's system as soon as practical after the new WWTP comes on line. TR 470

The 351 additional connections identified in Witness Santamaria's and Witness Wilson's testimonies and exhibits can, at the Plant Capacity Charge stipulated to by all Parties (Issue 40) of $2,700 per Equivalent Residential Connection ("ERC"), reasonably be expected to generate approximately $947,700 of additional CIAC before the middle of 2017, and these amounts, net of additional amortization of CIAC, should be applied to reduce KWRU's rate base used in calculating Phase II Rates.

Considering Witness Santamaria's and Witness Wilson's direct, intimate, and detailed knowledge of expected near-term development on Stock Island, there is simply no evidence in this case that is as competent and as substantial as theirs, and accordingly, the Commission should further reduce KWRU's rate base to reflect the likely additional CIAC to be received by the Utility as these new connections come on line.

By comparison, KWRU's Witness Castle acknowledged that the Utility itself projects the addition of 329 ERCs per year starting in 2014. It is facially obvious that 329 ERCs is not a significantly different number than the total of 351 ERCs supported by Witnesses Santamaria and Wilson; 329 ERCs times $2,700 yield an estimated additional $888,300 in CIAC to be collected in 2017.

Finally, KWRU's president, Christopher Johnson, admitted on cross-examination that KWRU has made an offer to the Florida Keys Aqueduct Authority ("FKAA") to acquire the roughly 400 existing wastewater customers that FKAA presently serves in the community known as Key Haven, on Raccoon Key, which is immediately adjacent to the northeast of Stock Island. Johnson, TR 658. While the status of discussions between KWRU and FKAA is not clear, the addition of roughly 400 new customers (plus possibly an additional 43 customers in a new development on Raccoon Key known as Key Haven Estates, TR 658, 660, EXH 107), would result in a significant additional amount of CIAC being collected, more than $1.2 million at KWRU's stipulated $2,700 per ERC Plant Capacity Charge. (These additional customers would also contribute significant additional revenues, including roughly $197,000 per year in Gallonage Charge revenues. TR 666.)

Again, Monroe County is simply asking the Commission to ensure that the rates paid by KWRU's customers are fair, just, and reasonable, and to ensure that outcome, Monroe County asks the Commission to require KWRU to report on the status of any discussions involving the possible acquisition of the Key Haven customers, and also to consider keeping this docket open so that, in the event that the proposed acquisition is consummated, KWRU's rates can be adjusted appropriately.

In summary, Phase II CIAC should be at least $11,264,125. This is Witness Merchant's 2016 value of $10,717,289, EXH 25, page 1 of 9, plus $888,300 (which is the lower of the values indicated by Witness Castle's 329 additional ERCs per year vs. the 351 ERCs per year indicated by the testimony of Witnesses Santamaria and Wilson), plus $341,464, the estimated annual amortization of CIAC shown on EXH 25, page 2 of 9.

Witness Swain's testimony that the Commission should ignore potential additional CIAC of $888,300 per year in determining KWRU's rates, TR 845-46, is simply not credible; the Commission's task is to set rates that accurately reflect the costs incurred to serve customers during the time periods when the rates will be in effect. Her purported reliance on Section 367.081(2)(a)1, Florida Statutes, misses the point: matching CIAC in 2017 to plant in service in 2017 is simply matching these two components of the basic rate base calculation for the exact same time period, i.e., the period when the rates will be in effect. It is not imputation of future CIAC.

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that Phase I Accumulated Amortization of CIAC ("AA-CIAC") should be $3,014,941.*

**Discussion**

Phase I AA-CIAC should be $3,014,941, which incorporates the stipulated adjustment in Staff Audit Finding 4. No additional adjustments to AA-CIAC are appropriate. Merchant, TR 325-26

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that Phase II AA-CIAC should be $3,945,225.*

**Discussion**

Phase II AA-CIAC should be $3,945,226 which incorporates the stipulated adjustment and adjustments supported by OPC Witness Merchant. TR 331-32

**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

**Monroe County:** *Agree with OPC that CWIP for Phase I should be $780,571.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that CWIP for Phase II should be 0 because the construction costs should be capitalized to plant.*

**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?

**Monroe County:** *Agree with OPC that the appropriate non-used and useful percentage should be 25%.*

**Discussion**

OPC Witness Woodcock testified that the appropriate non-used and useful percentage should be 25%. TR 277-78; EXH 20 Monroe County agrees with OPC that applying a used and useful percentage of 25% results in a reduction to rate base of $1,632,646, a reduction in depreciation expense of $130,954, and a reduction to property taxes of $16,177. Merchant, TR 324

**Issue 12:** What is the appropriate working capital allowance?

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that the working capital allowance for Phase I should be $328,976.*

**Discussion**

The Phase I working capital allowance should be $328,976. This level of working capital reflects the Parties' Stipulations; appropriate adjustments to reduce cash, remove deferred debits for accounting fees and construction permit litigation; and includes one-half of the allowed rate case expense. Merchant TR 333-35, 336-39, 342, 344-45

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that the working capital allowance for Phase II should be $328,976.*

**Discussion**

The Phase II working capital allowance should be the same as for Phase I. Merchant TR 343, EXH 24

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that the appropriate Phase I rate base is $127,273.*

B. For Phase II, if applicable

**Monroe County:** *Phase II rate base should be approximately $57,487, which is OPC's recommended rate base value of $604,323 for 2016 less additional CIAC for 2017 of $546,836. See Issue 8.*

**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

**Monroe County:** *Agree with OPC that the capital structure for Phase I should consist of $395,434 of debt to BB&T at 4%.*

**Discussion**

For Phase I, the debt cost for the affiliate debt should be equal to the arms-length debt cost with BB&T, the negative equity balance should be zero, and the pro forma equity adjustment should be disallowed to correspond with the removal of pro forma plant. Merchant TR 346, EXH 24

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that for Phase II, the capital structure should be updated to reflect the most current level of financing for 2016: an equity balance of $989,240, pro forma debt of $3,000,000 for BB&T loans at 4% and customer deposits of $162,972 at 2%.*

**Issue 15:** What is the appropriate return on equity?

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that the appropriate return on equity for Phase I sales should be 11.16% with an allowable range of plus or minus 100 basis points.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that the appropriate return on equity for Phase II sales should be 11.16% with an allowable range of plus or minus 100 basis points.*

**Discussion**

Pursuant to the Parties' Stipulation on Issue 15, the applicable leverage formula is the formula in effect when the Commission makes its final decision in this docket.

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that the appropriate cost of long-term debt for Phase I is 4%.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that the appropriate cost of long-term debt for Phase II is 4%.*

**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

**Monroe County:** *Agree with OPC that the appropriate overall rate of return for Phase I rates should be 3.39%.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that the appropriate overall rate of return for Phase II rates should be [3.53%].*

**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?

**Monroe County:** *No position.*

**Issue 19:** What is the appropriate bills and gallons to use to establish test year revenues and rates?

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that the number of bills and gallons used to set Phase I rates in the PAA Order are reasonable, although understated because they do not accurately reflect growth in bills and gallons consistent with KWRU's projected growth rate of 7.06 percent per year.*

B. For Phase II, if applicable

**Monroe County:** *The appropriate numbers of bills and gallons to be used in establishing Phase II revenue requirements and setting KWRU's new permanent Phase II Rates are, consistent with the principle that rates must be based on costs and sales during the time when rates are to be in effect, as follows:

Bills: 22,523
Gallons: 246,405,390 (246,405 kgal)*

**Discussion**

The appropriate bills and gallons to be used in establishing KWRU's Phase II revenue requirements and Phase II rates are those that are reasonably projected to be billed by KWRU in the twelve-month period following the date on which the new WWTP begins serving customers. Following the matching principle, this is necessary and appropriate to ensure proper matching of the Utility's costs with its sales so that the rate paid by KWRU's customers will properly recover the costs incurred to serve them in that time period. See Deason, TR 531-34.

Witness Merchant testified credibly that the first step in calculating bills and gallons for Phase II is to start with the Utility's reported values for 2015 as reported in its 2015 annual report. These values were approximately 12 percent greater than the 2014 values. From there, Witness Merchant supported keeping bills the same and increasing gallons "conservatively" by 10 percent (5 percent per year) from 2014 to 2016 to get to her recommended values for 2016. EXH 25, page 9 of 9. Because the Phase II rates are not going to be in effect until at least March 2017, the matching principle dictates that her 2016 billing determinant values should be further escalated to 2017 so that the rates paid by customers once the Utility's new WWTP is actually serving customers will reflect and properly recover the costs that KWRU incurs to serve them. Following the matching principle in this way is necessary to ensure that the rates charged by KWRU once its new WWTP plant is serving customers are, as required by Florida Statutes and by sound regulatory policy, fair, just, and reasonable.

Witness Merchant's 2016 bills and gallons are 21,451 bills and 234,671,800 adjusted gallons. EXH 25, page 9 of 9 Escalating these values by 5 percent per year, which is Witness Merchant's "conservative" growth rate, TR 354, yields 22,523 bills and 246,405,390 gallons, or 246,405 thousand gallons (kgal) for billing purposes. It is worth noting that the additional gallonage values identified by Witness Santamaria (87,810 gpd) and Witness Castle (82,250 gpd) equate to approximately 30,000,000 to 32,000,000 gallons per year; when added to Witness Merchant's test year gallons 213,338,000 gallons, EXH 25, page 9 of 9, these additional gallonage figures are very close to the above 246,405,390 annual gallonage value for 2017. Alternatively, and perhaps more accurately, the Commission might use KWRU's own best estimate of its growth, which is 7.06 percent per year. EXH 106, Johnson, TR 657. This calculation would indicate even greater billing determinants, but for simplicity, using the conservative 5 percent growth rate produces a sound estimate without having to make the minor adjustment to reflect higher incremental variable O&M costs; the 5 percent growth rate will produces rate results very close to the values that would be produced using KWRU's best estimate of growth.

**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

**Monroe County:** *Agree with OPC and with the adjustments addressed in the stipulations agreed to by the Parties.*

B. For Phase II, if applicable

**Monroe County:** *The appropriate amount of miscellaneous revenues for Phase II is at least $86,421, as supported by OPC Witness Merchant. A better estimate is Witness Merchant's value escalated by 7.06 percent, KWRU's best estimate of growth, which value is $92,522.*

**Discussion**

OPC Witness Merchant explained that the appropriate amount of miscellaneous revenues for 2016 is $86,421. TR 357-58. However, as discussed elsewhere in this Brief, the appropriate period for setting Phase II rates is the twelve-month period starting when KWRU's new WWTP begins providing service to KWRU's customers. Since the new WWTP is not expected to begin serving customers until at least March 2017, the appropriate amount of miscellaneous revenues is that which is reasonably projected to be received by KWRU in the period March 2017 to February 2018 or April 2017 to March 2018. Using calendar year 2017 is a reasonable proxy for such period.

Since KWRU has supported a best estimate of its growth of 7.06 percent per year, it is more appropriate to use Witness

Merchant's miscellaneous revenues value for 2016, i.e., $86,421, escalated by the Utility's best estimate of growth. The resulting value is $86,421 times 1.0706, which is $92,522.

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that the appropriate Phase I test year revenues should be $1,534,799.*

B. For Phase II, if applicable

**Monroe County:** *The appropriate Phase II test year revenues should be at least $1,786,711, which is 5 percent greater than the amount recommended by OPC based on a 2016 test year, in order to reflect the fact that KWRU's sales are likely to be 5 to 7 percent greater in 2017, when the new rates will be in effect, than in 2016.*

**Discussion**

Under the statutory requirement that rates must be fair, just, and reasonable, it is critical that the Commission ensure that the rates paid by KWRU's customers reflect and recover the costs incurred to serve customers during the time that the rates are in effect. The Utility selfishly wants its rates calculated using stale, understated 2014 billing determinants, which will result in windfalls to the Utility. See EXHs 114 & 115. OPC's Witness Merchant has gone a fair distance in the right direction by recommending Phase II revenues and rates based on conservatively projected growth of 5 percent per year to 2016, but the simple fact is that the key assets driving the Utility's need for increased rates are not projected to be in service until March or April of 2017, and the rates will not be in effect until approximately that time. (The Phase II Rates should not be made effective before those new key assets are actually serving customers.) Accordingly, following the matching principle, rates and revenues for 2017 should match to the Utility's costs in 2017. Deason, TR 532-34.

Witness Merchant has used a "conservative" growth rate of 5 percent per year, starting with KWRU's actual 2015 sales, whereas the Utility has testified that its best estimate of projected growth is 7.06 percent per year. Thus, test year revenues for the time period during which the rates will be in effect should be at least 5 percent greater than Witness Merchant's recommendation, using her proposed conservative growth rate, and arguably, test year revenues should be 7.06 percent greater based on the Utility's best estimate of growth. Using the 5 percent growth rate, the Phase II test year revenues would be $1,786,711, while using the Utility's best estimate would indicate Phase II test year revenues of $1,821,765. Considering that the additional sales would involve at least some incremental O&M costs, using Witness Merchant's 5 percent growth rate to get to 2017 test year revenues, without making any additional adjustment for additional O&M costs, has significant merit.

**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?

**Monroe County:** *Agree with OPC and with the adjustments addressed in the stipulations agreed to by the Parties.*

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that total Phase I O&M should be decreased by $301,461.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that Phase II O&M expenses are $1,809,082.*

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

**Monroe County:** *Agree with OPC that KWRU's proposed $12,350 pro forma increase for accounting services should be disallowed and an additional disallowance of $653 should be made to correct expenses for a capitalized invoice.*

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

**Monroe County:** *Agree with OPC that KWRU's proposed management fees should be decreased by $60,000.*

**Discussion**

The services provided by Green Fairways primarily benefit KWRU's shareholders, Merchant, TR 362, are duplicative of services already being provided by KWRU management, id., and do not provide independent third party oversight of KWRU. Merchant, TR 361-62. Accordingly, Green Fairway's management fees should be disallowed.

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

**Monroe County:** *Agree with OPC.*

**Discussion**

The final amount of rate case expenses should be fully supported by record evidence, not duplicative, and reasonable. Merchant, TR 364-69. For example, it is unreasonable for two attorneys to duplicate work. Merchant, TR 367-68. Moreover, it would be wholly inappropriate to support rate case expenses with a late-filed exhibit that was not subject to discovery or cross-examination.

**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?

**Monroe County:** *Agree with OPC that KWRU's proposed amortization of $11,678 for accounting costs should be disallowed.*

**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

**Monroe County:** *Agree with OPC.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC.*

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC.*

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

A. For Phase I, if applicable

**Monroe County:** *Agree with OPC that taxes other than income ("TOTI") should be $153,029.*

B. For Phase II, if applicable

**Monroe County:** *Agree with OPC that Phase II 2016 pro forma test year TOTI should be $189,605.*

**REVENUE REQUIREMENTS**

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

A. For Phase I, if applicable

**Monroe County:** *The appropriate Phase I revenue requirement is $1,821,639.*

B. For Phase II, if applicable

**Monroe County:** *The Phase II revenue requirement recommended by OPC of $2,269,893 is reasonable.*

**Discussion**

The Phase II revenue requirement recommended by OPC of $2,269,893 is reasonable to use for setting Phase II Rates.

## RATES AND RATE STRUCTURE

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

**Monroe County:** *The appropriate rate structures are a Base Facilities Charge and Gallonage Charges developed using the 40/60 split adopted in the PAA Order, and the appropriate rates are those calculated using billing determinants for 2017, because that is the time period in which the Phase II Rates will be in effect.*

**Discussion**

The appropriate rates to be charged by KWRU are the rates that will recover the Utility's reasonable and prudent costs of providing service to customers during the time periods in which the rates will be in effect. The appropriate rate structures are a Base Facilities Charge and Gallonage Charges developed using the 40/60 split adopted in the PAA Order, and the appropriate rates are those calculated using billing determinants for 2017, because that is the time period in which the Phase II Rates will be in effect. As to specific rates, Monroe County believes that OPC's recommended rates should be decreased to reflect additional 2017 sales at OPC's conservative growth rate of 5 percent per year. Sales can conservatively be expected to be 5 percent greater in 2017 than in 2016. TR 354, see also discussion of numbers of bills and gallons at Issue 19, as well as the discussion of growth in ERCs and gallons in the CIAC discussion at Issue 8. Thus, OPC's recommended rates should be divided by

1.05 to reflect the additional BFCs and Gallonage Charges that the Utility will likely bill and collect.

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

**Monroe County:** *The appropriate rate for KWRU's reuse service is at least $1.34 per thousand gallons, and the Commission should consider setting the rate significantly higher in order to provide better price signals for this market-based service and to thereby reduce the rate impacts on KWRU's regular service customers.*

**Discussion**

The appropriate rate for KWRU's reuse service is at least $1.34 per 1,000 gallons, which was KWRU's original proposed rate. However, several factors strongly militate toward setting a higher rate. First, reuse service is a market-based service product, and accordingly, it is more appropriate to price it closer to the cost of market alternatives. Swain, TR 778, 843-44. Realistically, the only market alternative to KWRU's reuse water that is available on Stock Island is potable water (also called "fresh water") sold by FKAA at prices between $5.87 and more than $11.00 per thousand gallons. TR 679. Given these market alternatives, a price of at least $2.00 per thousand gallons would be more than fair. Mr. Johnson agreed that it would be "economically rational for a customer to pay . . . $2.50 a thousand to use for irrigation or toilet flushing instead of paying $5.87 or $11 to the authority" for potable water. TR 680. In the locations where FKAA provides reuse service (not on Stock

Island), its rate is $2.92 per thousand gallons. Merchant, TR 382.

Next, Monroe County would use more reuse water once KWRU has fully implemented treatment to AWT standards. Wilson, TR 476

Additionally, there are two large users of reuse service on Stock Island, the Monroe County Detention Center, which recognizes the competitive value of reuse water compared to alternatives, and the Key West Golf Club, which has an affiliated ownership relationship with KWRU. TR 381-82.

Finally, charging a higher rate for reuse service would enable KWRU to ease the pain imposed by its higher service rates on the residential customers on Stock Island, which is the lowest-income area in Monroe County. Wilson, TR 449-50, EXH 36. This is not "social policy ratemaking," but rather a side effect of appropriately pricing reuse water service closer to its true competitive market value.

The Commission should set the rate at a minimum of $1.34 per thousand gallons, and should seriously consider setting the value even higher.

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

**Monroe County:** *No position.*

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

**Monroe County:** *Yes. Monroe County agrees with the Parties' Stipulation on this issue.*

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

**Monroe County:** *Yes. Monroe County agrees with the Parties' Stipulation on this issue.*

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

**Monroe County:** *Yes. Monroe County agrees with the Parties' Stipulation on this issue: KWRU should be authorized to collect a monthly lift station cleaning charge of $1,462 from the Monroe County Detention Center.*

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

**Monroe County:** *Any permanent or Phase II rate increase should be implemented on the first day of the first month (or the first day of the first billing period) following commercial operation of the new WWTP, but not less than 30 days from the date of the Commission's vote.*

**Discussion**

KWRU implemented the Phase I Rates (PAA Rates) after the protest of the PAA Order in this docket, and therefore no further implementation of rates for Phase I is necessary or appropriate. If the final revenue requirements for the Phase I period, i.e., from the time that the Phase I/PAA Rates became effective until the new, permanent Phase II Rates become effective, are greater than the amounts collected by KWRU during that time period, then the excess should be refunded to customers. See Monroe County's discussion of Issue 39.

Phase II Rates should be implemented on the first day of the first month, or the first day of the first billing period, following the date on which the new WWTP begins actually serving customers, but no earlier than 30 days following the date of the Commission's vote. Assuming that the Commission Staff are able to verify that the new WWTP is in fact providing service to customers and that the Staff have verified the accuracy of the rates in the Utility's filed tariffs, then rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, provided that that date is at least 30 days after the date of the Commission's vote.

If KWRU experiences any delays in completing the Phase II plant items, i.e., the new WWTP and the air vacuum tank, then KWRU should immediately notify the Commission and the Parties to this docket so that the Commission can take appropriate action, with the Parties having an appropriate point of entry to participate in such consideration by the Commission. For example, the Commission might consider deferring the effective date of the Phase II Rate tariffs or other action to ensure that customers are paying fair, just, and reasonable rates based on KWRU's reasonable and prudent costs for assets that are actually providing service to customers. Monroe County strongly believes that these procedural safeguards are necessary given KWRU's history of failing to timely implement AWT.

**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?

**Monroe County:** *Yes. The amount to be refunded should be the difference between (a) the amounts collected by KWRU from the effective date of the PAA Rates (on or about April 15, 2016) until the effective date of the new, permanent Phase II Rates minus (b) the revenue requirements as determined by the Commission that should have been collected during the same time period. Any refund should be calculated and made pursuant to Commission Rule 25-30.360, F.A.C.*

**Discussion**

Because the majority of the costs driving KWRU's new rates are the investment and associated O&M costs for the new WWTP, the permanent Phase II Rates should not become effective until the new WWTP is actually used and useful in providing service to customers. Accordingly, the Utility should be required to refund to customers the difference between the amounts collected pursuant to the Phase I Rates (PAA Rates) and the Commission-determined appropriate revenue requirement for the time that the Phase I Rates continue in effect. The Phase I Rates implemented by KWRU were excessive as reflected by OPC's Phase I revenue requirement calculations.

Monroe County believes that any required refund amount should actually be refunded to customers, rather than credited to future bills. The Phase I Rates represent a significant increase and in many cases, a hardship, to customers on Stock Island, which is the lowest income area of Monroe County, TR 449-50, and accordingly, a refund to those affected customers would be most appropriate. Any refund should be calculated and made pursuant to Commission Rule 25-30.360, F.A.C.

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

**Monroe County:** *No. Monroe County agrees with the Parties' proposed stipulation on this issue: The appropriate plant capacity charge should remain unchanged at $2,700 per ERC.*

**Issue 41:** **Deleted issue.**

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

**Monroe County:** *No. The Commission should initiate a full investigation to determine the extent to which the Utility has not billed and collected in accordance with its applicable tariffs and take appropriate action based on the results of that investigation.*

**Discussion**

The PAA Order stated that KWRU's billing of several of its general service customers was inconsistent with it tariff and effectively directed Staff to inquire regarding the inconsistencies and determine whether to take any additional action. Staff sent a letter to KWRU, which elicited a response admitting to some inconsistent billing actions by the Utility. Apparently, at least two of the affected customers are owed refunds. Johnson, TR 630-31. Monroe County agrees with OPC that this is a complex issue and that KWRU may owe additional and significant refunds to customers who were not charged consistently with its applicable tariffs. To address this situation, the Commission should conduct a full investigation to determine whether, and to what degree, KWRU billed and collected revenues inconsistently with its applicable tariffs. Once the facts are known, the Commission should determine whether any additional customers are owed refunds and what, if any, additional action should be taken to prevent inconsistent billing in the future.

The Commission should also investigate whether KWRU's having charged Base Facilities Charges to some residential customers for wastewater service even though they had no capability of delivering wastewater into KWRU's system to be treated was consistent with its applicable tariffs, and thereafter determine what, if any action to take with respect to such customers. Service Hearing Transcript at 24.

**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?

**Monroe County:** *Agree with OPC that this is a fallout issue.*

**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?

**Monroe County:** *Yes, Monroe County agrees with the Parties' Stipulation on this issue.*

**Issue 45:** Should this Docket be closed?

**Monroe County:** *No. The County agrees with OPC that the docket should remain open until the Commission resolves all issues.*

## CONCLUSION

For the reasons set forth herein, the Commission should adopt Monroe County's positions on the issues in this docket.

Respectfully submitted this 9th day of December, 2016.

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**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following, by electronic delivery, on this 9th day of December, 2016.

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