

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. 170141-SU

FILED: June 30, 2017

**JOINT RESPONSE IN OPPOSITION TO PROPOSED TEST YEAR
AND SUPPLEMENTAL TEST YEAR LETTER**

The Citizens of the State of Florida (“Citizens”), by and through the Office of Public Counsel (“OPC”), and Monroe County, Florida, a political subdivision of the State of Florida (“Monroe County” or “County”), consistent with the process provided by Rule 25-30.430, Florida Administrative Code (“F.A.C.”), hereby file their Joint Response in Opposition to Proposed Test Year and Supplemental Test Year Letter (“Joint Response”), stating the Citizens’ and Monroe County’s objections to the test year proposed by K W Resort Utilities Corp. (“KWRU”) in its supplemental letter dated June 26, 2017 (“Supplemental Test Year Letter”).¹ In summary, the Citizens and Monroe County object to KWRU’s Supplemental Test Year Letter itself because it still fails to comply with Rule 25-30.430, F.A.C. More significantly, the Citizens and Monroe County object to the proposed historic test year because it will not be representative of KWRU’s operations for the period during which any new rates approved in this docket will be effective. Further, the Citizens and Monroe County state for the record their continuing objection to KWRU’s suggestion that it may be entitled to interim rate relief, for the reasons stated in the

¹ KWRU’s June 26 Supplemental Test Year Letter includes the following statement: “In all other respects the Company’s original test year request letter is unchanged.” Reasonably interpreting this to mean that anything in KWRU’s June 6 letter that is not expressly revised or overridden by its June 26 letter remains operative as far as KWRU is concerned, this Joint Response addresses the combination of the June 26 and June 6 letter as one operative document, referred to herein as the Supplemental Test Year Letter.

Citizens' and Monroe County's June 21, 2017 Joint Response to KWRU's initial test year letter. (KWRU's Supplemental Test Year Letter is, per se, silent regarding interim rates, but given KWRU's statement that its June 6 letter is unchanged unless specifically noted in the June 26 letter, the Citizens and Monroe County note their continuing objections to interim rates.)

HISTORICAL AND FACTUAL BACKGROUND

KWRU's most recent general rate case, Docket No. 150071-SU, remains an open docket. The Commission's Order No. 17-0091-FOF-SU, "Final Order Granting an Increase in Wastewater Rates," hereinafter the "2017 Final Order," was issued on March 13, 2017. In the 2017 Final Order, the Commission approved a revenue requirement for KWRU of \$2,436,418, which represents an increase of \$901,618 – 58.75 percent – over the test year revenues of \$1,534,799. 2017 Final Order at 65. The 2017 Final Order accurately describes the procedural history of Docket No. 150071-SU, including the facts that the Commission held two full days of hearings on KWRU's application and that the parties filed briefs on the issues in the case. KWRU moved for reconsideration of the 2017 Final Order, which the Commission denied at its June 5, 2017 agenda conference. *See* Order No. PSC-17-0242-FOF-SU, issued June 22, 2017.

By letter dated June 6, 2017, the day following the Commission's vote denying reconsideration, KWRU notified the Commission that it intends to submit an application for general rate relief on or before October 31, 2017. The Citizens and Monroe County submitted their Joint Response in Opposition to KWRU's Proposed Test Year on June 21, 2017. The Commission Staff convened informal meetings with the parties to discuss the expeditious and efficient processing of this new docket on June 14 and June 22, 2017. The Citizens and Monroe County participated in both meetings. A copy of KWRU's Supplemental Test Year Letter is included as "Attachment A" to this Joint Response.

Just as in its June 6 test year letter, in its Supplemental Test Year Letter, KWRU asks the Chairman to approve “an historic test year ending June 30, 2017.” The test period is hereinafter referred to as KWRU’s “6/30/2017 Proposed Test Year.”

After publicly calling the Commission’s 2017 Final Order “an abomination,”² and well before the 2017 Final Order is final for appellate purposes, KWRU now threatens the Commission and the parties with another rate case, obviously because it does not like the Commission’s decisions set forth in the 2017 Final Order.

In practical terms, assuming KWRU meets its proposed October 31 filing date,³ the earliest that new final rates could be implemented, is approximately the beginning of April 2018. Thus, the earliest twelve-month period that new rates would be in effect is April 2018 to March 2019, and it is more likely to be July 2018 to June 2019.

In summary, as discussed below, the Citizens and Monroe County object to KWRU’s Supplemental Test Year Letter because it still fails to comply with Rule 25-30.430, F.A.C., and to KWRU’s 6/30/2017 Proposed Test Year because it will not be representative of KWRU’s operations for the period during which any new rates approved in this docket will be effective.

LEGAL BACKGROUND

Pursuant to Commission Rule 25-30.430, F.A.C., hereinafter the “Test Year Rule,” prior to filing a general rate case, a wastewater utility must “submit to the Commission a written request for approval of a test year, supported by a statement of reasons and justifications showing that

² Verbal comments of KWRU’s counsel, Martin S. Friedman in the informal meeting convened on June 14, 2017 by the Commission Staff.

³ Although KWRU’s representatives stated at the June 22 informal meeting that they expect to file their MFRs by August 31, 2017, the Supplemental Test Year Letter makes no mention of that assertion and specifically states that the original June 6 test year letter is unchanged except as specifically stated in the Supplemental Test Year Letter.

the requested test year is representative of utility operations.” Rule 25-30.430(1), F.A.C. The required contents of a test year letter are prescribed by Rule 25-30.430(2), F.A.C., as follows:

(2) Each applicant for test year approval shall submit the following information in its written request to the Chairman:

(a) A statement explaining why the requested test year is representative of the utility’s current operations.

(b) A general statement of major plant expansions or changes in operational methods which:

1. Have occurred in the most recent 18 months or since the last test year, whichever is less;

2. Will occur during the requested test year.

(c) A general statement of all known estimated pro forma adjustments which will be made to the requested test year amounts.

(d) If a projected test year is requested, provide an explanation as to why the projected period is more representative of the utility’s operations than a historical period.

SUMMARY OF CITIZENS’ AND MONROE COUNTY’S JOINT RESPONSE

The Chairman (or the full Commission, in the event that KWRU’s Supplemental Test Year Letter is presented to the full body) should disapprove KWRU’s requested 6/30/2017 Proposed Test Year because the Utility’s Test Year Letter does not comply with the Test Year Rule and because its proposed test year is not representative of its operations during the time that the rates will be in effect. In fact, KWRU’s Supplemental Test Year Letter reveals KWRU’s admissions that it must change every major component of the regulatory ratemaking equation for the period after its 6/30/2017 Proposed Test Year, including: rate base, O&M expenses, and sales and revenues. The suggestion that the twelve months ended June 30, 2017 is “representative” of the period in which the new rates will be in effect is thus demonstrated by KWRU’s own admissions to be patently false and misleading. Accordingly, the Chairman should not approve KWRU’s 6/30/2017 Proposed Test Year. (The Citizens and Monroe County continue to object to KWRU’s suggestion that it is entitled to interim rate relief, but in the interests of pleading efficiency, stand

on their arguments presented in their initial June 21 Joint Response, which is incorporated herein by reference.)

DISCUSSION

I. The Chairman Should Disapprove KWRU's 6/30/2017 Proposed Test Year Because KWRU's Supplemental Test Year Letter Does Not Comply With the Test Year Rule.

As demonstrated in the following brief discussion, the Commission's Test Year Rule requires substantial and substantive information that KWRU has failed to provide, and accordingly the Chairman should disapprove KWRU's Supplemental Test Year Letter and its requested test year. In this posture, disapproval of KWRU's Supplemental Test Year Letter may appropriately be thought of as analogous to a dismissal – of the Supplemental Test Year Letter itself – without prejudice. Substantive issues relating to the propriety of the test year are addressed below. This discussion addresses the procedural, rule-deficiency defects in KWRU's Supplemental Test Year Letter.

A. KWRU's Supplemental Test Year Letter Fails to Comply with Rule 25-30.430(1) and (2)(a), F.A.C.

Rule 25-30.430(1), F.A.C., requires that a wastewater utility shall “submit to the Commission a written request for approval of a test year, supported by a statement of reasons and justifications showing that the requested test year is representative of utility operations.” Subsection (2)(a) also requires “A statement explaining why the requested test year is representative of the utility's current operations.”

In its Supplemental Test Year Letter, KWRU provided a slightly longer narrative explanation of why it believes its 6/30/2017 Proposed Test Year is representative of a normal full year of operation, as follows:

The requested test year is representative of a normal full year of operation. The new wastewater treatment plant has been in operation, and the reduction in

billable gallons due to several large customers installing irrigation meters has occurred.

Monroe County and OPC maintain that this limited additional information is little better than the conclusory assertion that KWRU provided in its Initial Test Year Letter, especially considering KWRU has still not filed its 2016 Annual Report.

KWRU's Supplemental Test Year Letter then goes directly into a brief listing of the changes to rate base, O&M expenses, and sales and revenue data that KWRU asserts must be changed when setting the new rates. This is not a discussion or explanation of why or how the 6/30/2017 Proposed Test Year is representative of operations during the time that new rates will be in effect; rather, it is a prima facie demonstration that KWRU's proposed test year is not representative and that a projected test year, e.g., the twelve months ending June 30, 2019, would be far more appropriate for setting rates in this case.

Taking at face value KWRU's statement that its original June 6 test year letter remains unchanged in all respects other than those specifically addressed in its Supplemental Test Year Letter, the Chairman and Commission should continue to note KWRU's claims that some of the projected data upon which the Commission based its decision in the 2017 Final Order "have been shown to be inadequate to cover the actual costs incurred by the Company." *Id.* However, this is at best a conclusory allegation that KWRU is not making as much money as it wants; it makes no mention whatsoever of its costs and operations during the twelve months ending June 30, 2017, and KWRU's allegation has precious little to do with whether the 6/30/2017 Proposed Test Year is representative of the time period in which new rates would be in effect. Thus, KWRU's Supplemental Test Year Letter fails to satisfy the requirements of Rule 25-30.430(1) and (2)(a), F.A.C., and accordingly both KWRU's Supplemental Test Year Letter and its 6/30/2017 Proposed Test Year should be disapproved.

B. KWRU's Supplemental Test Year Letter Fails to Comply with Rule 25-30.430(2), F.A.C.

Rule 25-30.430(2)(b)1&2, F.A.C., requires a general statement of major plant expansions that have “occurred in the most recent 18 months or since the last test year, whichever is less” or that will “occur during the requested test year.” KWRU’s Supplemental Test Year Letter does not identify the specific timing of any of its alleged pro forma plant additions, rather including only the general statement that its proposed pro forma rate base additions will be “placed into service within 24 months of the end of” its 6/30/2017 Proposed Test Year. Further, its Supplemental Test Year Letter does not provide any specific information regarding the amounts of O&M expense increases, rather discussing such increases as pro forma adjustments to annualized expenses for chemicals, sludge hauling, purchased power, and testing in the future, after June 30, 2017.

Accordingly, KWRU’s Supplemental Test Year Letter fails to comply with Rule 25-30.430(2), F.A.C., and thus the Chairman should disapprove the Supplemental Test Year Letter and KWRU’s 6/30/2017 Proposed Test Year.

II. KWRU's 6/30/2017 Proposed Test Year Should Not Be Approved Because It Is Not Representative of KWRU's Operations During the Time That New Rates Would Be in Effect.

KWRU’s 6/30/2017 Proposed Test Year is not representative of KWRU’s operations for the time that the new rates would be in effect. KWRU proposes to use an historic test year ending June 30, 2017, i.e., for the period July 1, 2016 through June 30, 2017. In contrast, the rates determined in the case would not be in effect until April 2018 at the earliest, and would more likely not be in effect until July 2018. Thus, KWRU wants its rates based on operational information that will be fully a year old before the new rates even take effect; this is not representative as required by Rule 25-30.430(1), F.A.C., and violates the “matching principle” recognized as appropriate by

the Commission in the 2017 Final Order. 2017 Final Order at 66. KWRU wants to include new rate base items that will become operational after its 6/30/2017 Proposed Test Year, and apparently also to include additional operating and maintenance (“O&M”) expense for the time period beyond its 6/30/2017 Proposed Test Year, and to make certain, selectively chosen adjustments to gallonage and revenues; however, KWRU wants to exclude consideration of additional revenues and Contributions In Aid of Construction (“CIAC”) that will likely be realized by the Utility during the first twelve months after the new rates would be effective. KWRU also asserts that its pro forma adjustments are not growth-related; the inaccuracy of this latter assertion is demonstrated by KWRU’s own admissions during the June 14, 2017 informal meeting, as discussed below.

A. KWRU’s 6/30/2017 Proposed Test Year is Not Representative of Its Operations During the Time That the New Rates Would Be in Effect.

KWRU proposes to base the rates that would be in effect for (approximately) the period from July 1, 2018 to June 30, 2019, on costs incurred two years earlier, i.e., between July 1, 2016 and June 30, 2017. This two-year discrepancy is *prima facie* evidence that KWRU’s 6/30/2017 Proposed Test Year is non-representative. Of course, KWRU unsurprisingly wants to include its own selectively, and self-servingly, chosen investment and cost additions, and sales and revenue adjustments, to boost its claimed costs for the time period that new rates would be in effect while excluding any consideration of additional growth in sales as well as additional growth in CIAC that would likely accompany such growth.

In fact, KWRU’s discussion of the pro forma adjustments that it plans to seek, which immediately follows its purported explanation of why its test year is “representative,” demonstrates that KWRU’s 6/30/2017 Proposed Test Year is not representative of its operations during the time that the new rates will be in effect. In fact, immediately after claiming that its proposed test year is representative of its operations, KWRU admits that it must seek substantial

adjustments to every major component of the regulatory ratemaking equation: rate base, O&M expenses, and billable gallons (sales and revenues). This is *prima facie* proof that its 6/30/2017 Proposed Test Year is not representative of the time when new rates will be in effect.

On its face, KWRU asserts it will make pro forma adjustments to account for a “reduction in billable gallons . . . reduction in flows due to repression” and “increases in chemicals, sludge hauling, purchase power and testing.” A “pro forma adjustment” is a projected adjustment by another name. If KWRU is already projecting pro forma increases and decreases to parts of historic test year O&M expenses and revenues *to increase its revenue requirement*, then KWRU should go ahead and project offsetting increases and decreases to other parts of its test year expenses consistent with the “matching principle” employed by the Commission in KWRU’s last rate case. Moreover, KWRU’s historic test year will be based on approximately three months of actual wastewater operations since the new plant expansion only recently started operation and KWRU will have to annualize those three months operational O&M expenses for its historic test year to be representative of a normal full year of operation. Annualizing expenses is simply another form of projecting expenses.

By the time KWRU will have finished making all of its advantageous pro forma adjustments to its historic test year, KWRU will be at least half way to a fully projected test year, while omitting O&M expenses, revenues, projected growth, and related factors that would decrease the revenue requirement and rates for the period when such new rates would be in effect.

Similarly to its 2015 rate case, KWRU is projecting to complete almost \$1.6 million in pro forma plant within 24 months of the end of its proposed June 30, 2017 historic test year. This does not even include the plant in service KWRU claims the Commission overlooked in the last

rate case. Approximately \$644,000⁴ or 40% of the projected pro forma plant will serve approximately 100 ERCs of *new growth* once the vacuum pits and vacuum line extension project is completed. KWRU's Supplemental Test Year Letter, and its commentary at the informal meetings, attempts to suggest that this new growth is minimal when compared to the over 4,000 ERCs KWRU claims it already serves.⁵ The evidence in the last case indicated that KWRU's lack of wastewater treatment capacity was limiting new growth on Stock Island. With that barrier removed, developers can move forward with plans for new growth. In any event, 100 EDUs of additional usage and revenues represents growth of 2.5% to 3.0% over the previous value, and once the two treatment tanks are fully refurbished, KWRU will have 850,000 gpd of wastewater treatment capacity, allowing these ERCs as well as additional growth – previously suppressed by lack of permitted capacity – to connect to KWRU's system. Without a projected test year, the 100 ERCs as well as the additional growth projected to occur on Stock Island, will not be included in this rate case. Failure to include projected growth violates the matching principle and results in a test year that is not representative of the period in which the new rates will be in effect. As the Commission recognized in its 2017 Final Order:

The principle of matching costs and expenses with sales is at the center of the argument for establishing correct billing determinants. This Commission recognizes the need to match identifiable customer growth and sales with known and measurable growth in the utility's investment and expenses. Considering the impacts that any growth or decline in sales would have on revenues, we believe

⁴ In KWRU's Initial Test Year Letter, this pro forma project, referred to as "the South Stock Island Line Extension" was estimated to cost \$912,000. There was no explanation in the Supplemental Test Year Letter why this projected cost decreased so significantly.

⁵ The reference to 4,000 ERCs is itself suspect. KWRU's 2015 Annual Report, at page S-13, states that as of December 31, 2015, KWRU was serving 3,000 ERCs based on average gallonage of 140 gallons per ERC. At 167 gallons per ERC, a value used by KWRU elsewhere, the number of ERCs would be proportionately less, at approximately 2,766 ERCs. The total gallonage treated, as reported on page S-12, was 168,529,000 gallons; dividing by 167 gallons per ERC and 365 days/year indicates a similar value of 2,765 ERCs or EDUs.

that the matching principle is an important concept to observe in the rate-making process.

2017 Final Order at 66.

B. While KWRU is Free to File Its MFRs Using the Test Year of Its Choosing, A Projected Test Year Will be Far More Representative of KWRU's Operating Conditions When New Rates Will Be in Effect. Accordingly, the Chairman Should Not Approve KWRU's 6/30/2017 Proposed Test Year.

The Citizens and Monroe County recognize that KWRU is free to file MFRs using a test year of its choosing, and that the Commission will not order KWRU to file based on any particular year. However, in this instance, the facts clearly show that a projected test year – including all of the changes to the major elements of any rate case that KWRU itself says must be projected for the period beyond its 6/30/2017 Proposed Test Year – is superior to KWRU's proposal. At a minimum, the Chairman should reject and refuse to approve KWRU's 6/30/2017 Proposed Test Year. Further, the Citizens and Monroe County assert, and will assert in the proceedings as necessary, that any rate case expense incurred by KWRU to prosecute its inappropriate, non-representative test year is imprudent and should accordingly be disallowed for recovery from customers.

The simple fact that KWRU proposes to include additional rate base items, and apparently also additional O&M expenses, that will not be incurred until after June 30, 2017, in and of itself demonstrates *prima facie* that KWRU's 6/30/2017 Proposed Test Year is not representative of its operations during the period that new rates would be in effect in 2018 and 2019. If its proposed historic period – the 6/30/2017 Proposed Test Year – were representative of the time that new rates would be in effect, no such adjustments would be necessary or appropriate.

Further, just as in Docket No. 150071-SU, the Citizens and Monroe County will dispute KWRU's proposal to use stale sales data (Base Facility Charge and Gallonage Charge units and revenues) to set rates that will be in effect for the period two years after the fact. Just as the

Citizens and Monroe County did in Docket No. 150071-SU, if it comes to it, they will put competent, substantial evidence into the record to document likely additional growth in sales and CIAC that KWRU would realize during the time that new rates will be in effect, i.e., during a truly “representative” test year.

Besides having been the standard in electric rate cases for more than three decades, the Commission has previously approved the use of projected test years in water and wastewater rate cases. *See, e.g.*, Order No. PSC-02-1168-PAA-WS, issued August 26, 2002, in Docket No. 010869-WS, In re: Application for staff-assisted rate in Marion County by East Marion Sanitary Systems, Inc.; and Order No. PSC-01-1246-PAA-WS, issued June 4, 2001, in Docket No. 001382-WS, In re: Application for staff-assisted rate case in Lake County by Pennbrooke Utilities, Inc.

In Order No. PSC-06-0170A-PAA, issued March 9, 2006, in Docket 050281, In re: Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company, the Commission discussed the application of a projected test year to ratemaking. In Plantation Bay, despite having historic and future projected growth, the Company requested and initially received approval for a historic test year. Upon further review, the Commission decided a projected test year was a more representative test period to measure the cost of service and to establish prospective rates. In support, the Commission quoted its decision in the Martin Downs Utilities rate case:

[t]he test year or period is an analytical device used in ratemaking proceedings in order to compute current levels of investment and income in order to determine the amount of revenue that will be required to assure the utility a fair rate of return on its investment. *Test year data may be adjusted to properly reflect conditions in the future period for which rates are being fixed.*⁶

⁶ Order No. 15725, issued February 21, 1986, in Docket No. 840315-WS, In re: Application of Martin Downs Utilities, Inc. for an increase in water and wastewater rates to its customers in Martin County, Florida.

Plantation Bay Order at 6 (emphasis added); *see also Gulf Power Company v. Bevis*, 289 So. 2d 401, 404 (Fla.1974) (finding that the fixing of utility rates must be related to matters which are reasonably predictable, for the process is one of making a rule for the future). The Commission also quoted the Supreme Court's decision in *Southern Bell Telephone and Telegraph Co. v. FPSC*, 443 So. 2d 92, 97 (Fla. 1983), which held:

[n]othing in the decisions of this Court or any legislative act prohibits the use of a projected test year by the Commission in setting a utility's rates. . . . The projected test period established by the Commission is a ratemaking tool which allows the Commission to determine, as accurately as possible, rates which would be just and reasonable to the customer and properly compensatory to the utility.

Plantation Bay Order at 7.

In this case, KWRU has experienced historic growth, and with the expansion of its WWTP capacity, it will experience future growth. The Commission clearly has the authority to adjust test year data “*to properly reflect conditions in the future period for which rates are being fixed.*” Plantation Bay Order at 6. Therefore, a projected test year will provide the Commission a ratemaking tool to “fix rates which are just, reasonable, compensatory, and not unfairly discriminatory.” Fla. Stat. § 367.081(2)(a)1.

Whether or not KWRU chooses to recognize that a projected test year will be far more representative of its operating conditions when new rates will be in effect, the Commission should recognize this fact on the basis of KWRU's own admissions in its Supplemental Test Year Letter, and the Chairman should accordingly refuse to approve KWRU's 6/30/2017 Proposed Test Year. Moreover, KWRU is hereby put on notice that the Citizens and Monroe County consider any expenditures on a rate case filing based on KWRU's non-representative 6/30/2017 Proposed Test Year to be imprudent for the facially obvious reason that the test year is not representative of the time when new rates will be in effect. The Citizens and Monroe County

are fully prepared to support an appropriate projected test year in this case, and to challenge recovery of imprudent and wasteful expenditures on a non-representative test year from KWRU's customers.

CONCLUDING STATEMENT

The foregoing discussion addresses the inadequacy of KWRU's Supplemental Test Year Letter and the issue whether its 6/30/2017 Proposed Test Year is appropriately representative of the time period in which new rates to be approved in this docket would be in effect. As explained above, the Citizens and Monroe County believe that KWRU's Supplemental Test Year Letter does not comply with the requirements of the Commission's Test Year Rule and that KWRU's 6/30/2017 Proposed Test Year is not representative of KWRU's operations in 2018 and 2019, when the new rates would be in effect.

While opposing KWRU's request for approval of a non-representative Test Year, the Citizens and Monroe County wish to make clear that this Joint Response in Opposition to KWRU's request is not, in any way, an automatic response opposing any rate relief at all. Whether KWRU is entitled to rate relief remains to be seen and is subject to KWRU satisfying its burden of proving that it needs rate relief, based on competent, substantial evidence in the record of a future proceeding. The Citizens and Monroe County are not opposed to KWRU having sufficient revenues to cover its operating costs and to earn a reasonable return on its reasonable and prudent investment that is used and useful in providing service to its customers. By this Joint Response, the Citizens and Monroe County are pointing out obvious defects in KWRU's Supplemental Test Year Letter itself and also defects in its substantive claims as to the appropriateness of its 6/30/2017 Proposed Test Year.

The Citizens and Monroe County simply want KWRU to follow the Commission's rules, and to propose a test year that will, in fact, be truly and objectively representative of KWRU's operations and costs for the time period that the new rates will be in effect. If KWRU refuses to follow the matching principle endorsed by the Commission and to file MFRs based on conditions that are truly representative of the period when new rates will be in effect, it must do so recognizing that it risks disallowance of expenditures on a rate case filing that is not representative as required by Commission rules and precedent.

WHEREFORE, the Citizens and Monroe County hereby request that the Chairman consider their objections to KWRU's 6/30/2017 Proposed Test Year and to KWRU's Supplemental Test Year Letter itself, and accordingly request that the Chairman disapprove KWRU's 6/30/2017 Proposed Test Year.

Respectfully submitted this 30th day of June, 2017.

J. R. Kelly
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CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and foregoing JOINT RESPONSE IN OPPOSITION TO PROPOSED TEST YEAR has been furnished by electronic mail on this 30th day of June, 2017, to the following:

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ATTACHMENT A

TO

**JOINT RESPONSE OF THE CITIZENS OF THE STATE OF FLORIDA
AND MONROE COUNTY, FLORIDA, IN OPPOSITION TO PROPOSED
TEST YEAR AND SUPPLEMENTAL TEST YEAR LETTER**



Wills | Trusts | Probate | Real Estate | Guardianship | Medicaid | Business Law

June 26, 2017

Chairman Julie Brown
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Re: Docket No. 170141-SU: Application for increase in wastewater rates in Monroe County
by K W Resort Utilities Corp.
Our File No. 34000.04

Dear Chairman Brown:

By letter docketed on June 9, 2017, K W Resort Utilities Corp. ("Company") requested approval of a June 30, 2017, test year for its upcoming rate case, and further requested that the rate case proceed pursuant to the PAA process, as is its right pursuant to Section 367.081(8), Florida Statutes. This letter is to supplement the information in that letter.

The Company, upon further reflection, has determined to forego the PAA process and will utilize the process to proceed directly to hearing. Prefiled testimony will be filed accordingly.

The Company requested a historic test year ending June 30, 2017. The requested test year is representative of a normal full year of operation. The new wastewater treatment plant has been in operation, and the reduction in billable gallons due to several large customers installing irrigation meters has occurred. There will be pro forma adjustments to billable gallons to reflect annualized billable gallons based on the reduction in flows due to repression, as well as expenses to reflect annualized expenses in the years when rates will be in effect as a result of increases in chemicals, sludge hauling, purchased power and testing that were not fully recognized in the recently completed rate case.

The Company anticipates including pro forma plant additions, which will be completed and placed into service within 24 months of the end of the proposed June 30, 2017 test year. The pro forma plant consists of rehabilitating the existing WWTPs in the approximate amount of \$771,000, replacement of a lift station in the approximate amount of \$215,000, and installation of

vacuum pits and a vacuum line extension to allow eighteen (18) properties to connect in the amount of \$644,173.54. The pro forma plant additions are not growth related.¹

In all other respects the Company's original test year request letter is unchanged. Should you or members of the Staff have any questions regarding this request, please do not hesitate to contact me.

Very truly yours,



Martin S. Friedman
For the Firm

cc: Bart Smith, Esquire (via e-mail)
Chris Johnson (via e-mail)
Keith Hedrick, Esquire (via e-mail)
Andrew Maurey (via e-mail)
Carlotta S. Stauffer, PSC Clerk (via e-filing)
Erik Saylor, Esquire (via e-mail)
Scheff Wright, Esquire (via e-mail)

¹ The eighteen properties provide less than 100 EDUs to a system that currently services over 4,000 EDUs.