

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 6, 2017

TO: Office of Commission Clerk

FROM: Lynn M. Deamer, *LMD* Chief of Auditing, Office of Auditing and Performance Analysis

RE: Docket No.: 20170086-SU
Company Name: K W Resort Utilities Corp.
Company Code: SU336
Audit Purpose: A18a: Specialized Billing
Audit Control No.: 2017-109-1-1

Attached is the final audit report for the Utility stated above. I am sending the Utility a copy of this memo and the audit report. If the Utility desires to file a response to the audit report, it should send a response to the Office of Commission Clerk. There are no confidential work papers associated with this audit.

LMD/cmm

Attachment: Audit Report

cc: Office of Auditing and Performance Analysis File

State of Florida



Public Service Commission

Office of Auditing and Performance Analysis
Bureau of Auditing
Tallahassee District Office

Auditor's Report

K W Resort Utilities Corp.
Specialized Billing Audit

Forty-Eight Months Ending March 30, 2017

Docket No. 20170086-SU
Audit Control No. 2017-109-1-1
September 5, 2017

A handwritten signature in blue ink, appearing to read "Marisa N. Glover", written over a horizontal line.

Marisa N. Glover
Audit Manager

A handwritten signature in blue ink, appearing to read "Thomas Wolff", written over a horizontal line.

Thomas Wolff
Audit Staff

A handwritten signature in blue ink, appearing to read "Lynn M. Deamer", written over a horizontal line.

Lynn M. Deamer
Reviewer

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the objectives set forth by the Division of Economics in its audit service request dated April 17, 2017. We have applied these procedures to the schedules prepared by audit staff to document our findings in this audit report in Docket No. 20170086-SU.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. The report is intended only for internal Commission use.

Objectives and Procedures

General

Definitions:

KWRU or Utility refers to K W Resort Utilities Corporation located in Monroe County, FL.

Account S001 refers to Safe Harbor Marina.

Account SM100 refers to Sunset Marina.

Account PM002 refers to Yacht Clubs of America.

Account SIMV01 and SIMV04 refers to Stock Island Village Marina.

Account SH002 refers to Carefree Property.

Account OS001 refers to Ocean Spray Trailer Park.

Account TP001 refers to Tropic Palm Mobile Home Park.

Account MW001 refers to Meridian West Apartments.

Account R090 refers to Fourth Avenue LLC.

Account BG006 refers to Banyon Grove.

Account WE002 refers to ITNOR- Waters Edge.

Account BC001 refers to Boyd's Camp Ground.

Account RTP refers to Roy's Trailer Park.

Account FV001 refers to Flagler Village.

Background:

K W Resort Utilities Corporation is a class A Utility providing wastewater service to approximately 20,161 customers in Monroe County, according to Order No. PSC-2017-0091-FOF-SU. Water service is provided by the Florida Keys Aqueduct Authority (FKAA). The water meters are read by FKAA and monthly reports are provided to KWRU. The KWRU billing for wastewater service is based primarily on the customers' water demand. We have used the monthly Base & Overage reports as well as the monthly Billing History Reports in this audit. These reports were provided to us by KWRU.

The utility filed its application for an increase in wastewater rates on July 1, 2015, in Docket 170086-SU, Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, ordered that a new docket be opened, and a full audit and investigation be conducted by staff in regards to KWRU's billing practices to determine if any orders, rules, or statutes were violated by the Utility. Additionally, Order Nos. PSC-2002-1165-PAA-SU, PSC-2002-1711-TRF-SU, and PSC-1995-0335-FOF-SU recognize the incorrect billing practices of the utility. The Order did not specify a time period. Technical staff requested that four years of billing data be reviewed beginning on March 23, 2013 and ending on March 30, 2017.

Customer Bills

Objectives: The objectives were to determine for the forty-eight month period, beginning March 23, 2013 through March 23, 2017, whether the utility is only charging its customers the authorized rates and charges (including miscellaneous service charges) in the utility's approved tariff.

Procedures: We recalculated billing data for all provided accounts from the base and overage, and the billing history report provided by the utility. Audit staff recalculated Account S001, SM100 and PM002, and noted the utility did not use the proper tariff. Audit staff recalculated the billing data for private lift stations, and Boyds and noted the utility was using two different tariff rates. Audit staff recalculated the billing data for Harbor Shores, and noted the tariff was effective after March 21, 2017 per tariff #12.1. Audit staff recalculated the billing data for the residential customers at the base rate and volume charge per tariff 13.0 effective March 21, 2017. **See Findings 1, 2, 3, 4, 5, 14, 15, 16 and 19.**

Objectives: The objectives were to determine for the forty-eight month period, beginning March 23, 2013 through March 23, 2017, which customers if any were incorrectly billed and the differential amount by customer class and service address.

Procedures: We recalculated billing data for all provided accounts from the base and overage, and the billing history report provided by the utility. Audit staff recalculated the billing data for residential and general service customers for March 2013 through March 2016, and noted the utility used the incorrect tariff. The Utility provided the prorated calculations of effluent sales for the month of April 2016. Audit staff recalculated the billing data using the prorated calculations and determined the utility used the incorrect volume charge. Audit staff recalculated Accounts: OS001, TP001, MW001, R090, BG006, WE002, RTP, and FV001, and noted the utility was charging for more meters than what were actually on the premises. **See Findings 6, 7, 8, 9, 10, 11, 12, 13, 14, 17, 18 and 19.**

Audit Findings

Finding 1: Safe Harbor Marina (Account S001)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. Audit staff recalculated Safe Harbor Marina, and noted that the utility did not bill using the \$917.11 flat rate approved in Order No. PSC-09-0057-FOF-SU, issued January 27, 2009. Instead the utility billed a flat rate charge of \$1,665.03. See Table below:

| K W RESORT UTILITIES CORP. | | | | | | |
|---|------------------|--------------------------------------|-----------------------|---------------------|---------------------|--|
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| <u>Account Name</u> | <u>Account #</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> | |
| Safe Harbor Marina | S001 | March 23, 2013 to December 31, 2013 | \$ 16,650.30 | \$ 9,235.11 | \$ 7,415.19 | |
| | | January 1, 2014 to December 31, 2014 | \$ 19,980.36 | \$ 11,005.32 | \$ 8,975.04 | |
| | | January 1, 2015 to December 31, 2015 | \$ 19,980.36 | \$ 11,005.32 | \$ 8,975.04 | |
| | | January 1, 2016 to December 31, 2016 | \$ 37,661.92 | \$ 30,548.30 | \$ 7,113.62 | |
| | | January 1, 2017 to March 23, 2017 | \$ 11,355.09 | \$ 10,554.61 | \$ 800.48 | |
| Total | | | \$105,628.03 | \$ 72,348.66 | \$ 33,279.37 | |

Effect on the General Ledger: To be determined

Finding 2: Sunset Marina (Account SM100)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Sunset Marina base facility charges (BFC) of \$142.47/month on the 2” master meter and \$2,048.10/month on the 8” turbo meter providing water service to the marina as well as an additional 64 BFC’s at \$17.81per meter per month based on the number of units behind the meters. In addition, the utility billed the marina for two small pools at \$31.31/month based on a tariff that was approved for Key West Golf Club. Per Order PSC-2016-0123-PAA-SU, Sunset Marina should have only been billed based on the 2” and 8”meters; therefore the marina was overcharged for the additional 64 units as well as the two small pools. See Table below

| K W RESORT UTILITIES CORP. | | | | | |
|---|------------------|--------------------------------------|-----------------------|----------------------|--------------------|
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | |
| <u>Account Name</u> | <u>Account #</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| Sunset Marina | SM100 | March 23, 2013 to December 31, 2013 | \$ 38,141.44 | \$ 37,577.86 | \$ 563.58 |
| | | January 1, 2014 to December 31, 2014 | \$ 51,041.72 | \$ 50,289.28 | \$ 752.44 |
| | | January 1, 2015 to December 31, 2015 | \$ 52,372.25 | \$ 51,620.81 | \$ 751.44 |
| | | January 1, 2016 to December 31, 2016 | \$ 48,419.94 | \$ 47,144.36 | \$ 1,275.58 |
| | | January 1, 2017 to March 23, 2017 | \$ 9,135.65 | \$ 9,135.65 | \$ - |
| | | Total | \$ 199,111.00 | \$ 195,767.96 | \$ 3,343.04 |

Effect on the General Ledger: To be determined

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Finding 3: Yacht Clubs of America (Account PM002)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Yacht Clubs of America a base facility charge (BFC) of \$106.86/month (\$17.81*6) on the 5/8" meter and \$142.47/month on the 2" meter from March 2013 to April 2016. The Utility billed Yacht Clubs of America a base facility charge (BFC) of \$253.28/month on the 2" meter and \$2,532.80/month on the 2" meter from May 2016 to March 2017. The utility should have billed, per the 2012 price index increase for services rendered on or after March 30, 2013, \$101.96/month for six residential living units, and \$142.47/month for the 2" meter. See Table below

| K W RESORT UTILITIES CORP. | | | | | | |
|---|------------------|-------------|-----------------------|---------------------|---------------------|--|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| <u>Account Name</u> | <u>Account #</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> | |
| Florida Yacht | PM002 | 2013 | \$ 6,057.36 | \$ 6,013.26 | \$ 44.10 | |
| | | 2014 | \$ 9,318.84 | \$ 9,260.04 | \$ 58.80 | |
| | | 2015 | \$ 8,167.23 | \$ 8,108.43 | \$ 58.80 | |
| | | 2016 | \$ 49,251.26 | \$ 31,381.44 | \$ 17,869.82 | |
| | | 2017 | \$ 12,888.22 | \$ 2,005.68 | \$ 10,882.54 | |
| Total | | | \$ 85,682.91 | \$ 56,768.85 | \$ 28,914.06 | |

Effect on the General Ledger: To be determined

Finding 4: Carefree Property (Account SH002)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Carefree Property base facility charge (BFC) of \$17.81/month on the 5/8” meter. In addition, the utility billed the Carefree Property \$105.75/month for a large pool based on a tariff that was approved for Key West Golf Club, Per Order PSC-2016-0123-PAA-SU. Carefree Property should have only been billed based on the 5/8” meter; therefore they were overcharged for the additional large pool. See Table below.

| K W RESORT UTILITIES CORP. | | | | | | |
|---|-----------------|--------------------------------------|-----------------------|---------------------|--------------------|--|
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| <u>Account Name</u> | <u>Account#</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> | |
| Carefree Property Management | SH002 | March 23, 2013 to December 31, 2013 | \$ - | \$ - | \$ - | |
| | | January 1, 2014 to December 31, 2014 | \$ 3,643.42 | \$ 2,480.17 | \$ 1,163.25 | |
| | | January 1, 2015 to December 31, 2015 | \$ 3,305.77 | \$ 2,036.77 | \$ 1,269.00 | |
| | | January 1, 2016 to December 31, 2016 | \$ 1,666.73 | \$ 1,441.27 | \$ 225.46 | |
| | | January 1, 2017 to March 23, 2017 | \$ 511.27 | \$ 511.27 | \$ - | |
| | | Total | \$ 9,127.19 | \$ 6,469.48 | \$ 2,657.71 | |

Effect on the General Ledger: To be determined

Finding 5: General Service Customers 5/8” Meters

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed the following accounts the based facility charges (BFC) on a 5/8” meter four times. After the last rate case, the technical staff determined that these accounts should be billed at one 5/8” meter. In March 2013, the utility billed the following accounts the based facility charges (BFC) of \$71.24/month (\$17.81*4) on the 5/8” meter. The utility should have charged the BFC of \$19.05 at one 5/8” meter. During the period of April 2013 to March 2016, the utility billed the following accounts the BFC of \$71.24/month (\$17.81*4) on the 5/8” meter, when it should have been \$17.81/month at one 5/8” meter. During the period of April 2016 to March 2017, the utility charged \$31.66 times one 5/8” meter.

| K W RESORT UTILITIES CORP. | | | | | | |
|--------------------------------------|-----------|------------------------------|----------------|--------------|-------------|--|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| Account Name | Account # | Year | Utility Amount | Audit Amount | Difference | |
| James Beaver | B008 | March 2013 - December 2013 | \$ 4,984.40 | \$ 3,385.22 | \$ 1,599.18 | |
| Eadeh Bush Co. | EB002 | January 2014 - December 2014 | \$ 5,782.48 | \$ 3,859.00 | \$ 1,923.48 | |
| Armando Sosa | S046 | January 2015 - December 2015 | \$ 5,923.52 | \$ 4,000.40 | \$ 1,923.12 | |
| | | January 2016 - December 2016 | \$ 1,746.41 | \$ 1,265.54 | \$ 480.87 | |
| | | January 2017 - March 2017 | \$ - | \$ - | \$ - | |
| Total | | | \$ 18,436.81 | \$ 12,510.16 | \$ 5,926.65 | |

Effect on the General Ledger: To be determined

Finding 6: Ocean Spray Trailer Park (Account OS001)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Ocean Spray Trailer Park a base facility charge (BFC) for fourteen 5/8” meters. After the last rate case, the technical staff determined that these accounts should be billed at one 5/8” meter. In March 2013, the utility billed the BFC of \$249.34/month (\$17.81*14) on the 5/8” meter. The utility should have billed \$19.05/month at one 5/8” meter. During the periods of April 2013 to March 2016, the utility billed the BFC of \$249.34/month (\$17.81*14) on the 5/8” meter. The utility should have billed the BFC of \$17.81/month at one 5/8” meter. During the periods of April 2016 to March 2017, the utility billed the BFC of \$31.66 at one 5/8” meter.

| K W RESORT UTILITIES CORP. KWRU'S BILLING AUDIT TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
|---|-----------|------------------------------|---------------------|--------------------|--------------------|--|
| Account Name | Account # | Year | Utility Amount | Audit Amount | Difference | |
| Ocean Spray Trailer Park | OS001 | March 2013 - December 2013 | \$ 3,946.93 | \$ 1,863.16 | \$ 2,083.77 | |
| | | January 2014 - December 2014 | \$ 5,006.78 | \$ 2,228.42 | \$ 2,778.36 | |
| | | January 2015 - December 2015 | \$ 5,209.08 | \$ 2,430.72 | \$ 2,778.36 | |
| | | January 2016 - December 2016 | \$ 1,531.25 | \$ 836.66 | \$ 694.59 | |
| | | January 2017 - March 2017 | \$ - | \$ - | \$ - | |
| Total | | | \$ 15,694.04 | \$ 7,358.96 | \$ 8,335.08 | |

Effect on the General Ledger: To be determined

Finding 7: Tropic Palm Mobile Home Park (Account TP001)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Tropic Palm Mobile Home Park base facility charge (BFC) of twenty-five 5/8” meters. After the last rate case, the technical staff determined that these accounts should be billed at one 5/8” meter. In March 2013, the utility billed the BFC of \$445.25/month (\$17.81*25) on the 5/8” meter. The utility should have billed \$19.05/month at one 5/8” meter. During the period of April 2013 to March 2016, the utility billed the BFC of \$445.25/month (\$17.81*25) on the 5/8” meter. The utility should have billed the BFC of \$17.81/month at one 5/8” meter. During the period of April 2016 to March 2017, the utility billed the BFC of \$31.66 at one 5/8” meter.

| K W RESORT UTILITIES CORP. | | | | | | |
|--------------------------------------|-----------|------------------------------|----------------|---------------------|---------------------|---------------------|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| Account Name | Account # | Year | Utility Amount | Audit Amount | Difference | |
| Tropic Palm Mobile Home Park | TP001 | March 2013 - December 2013 | \$ 6,704.02 | \$ 2,857.06 | \$ 3,846.96 | |
| | | January 2014 - December 2014 | \$ 9,193.28 | \$ 4,064.00 | \$ 5,129.28 | |
| | | January 2015 - December 2015 | \$ 7,021.40 | \$ 3,174.44 | \$ 3,846.96 | |
| | | January 2016 - December 2016 | \$ 2,426.62 | \$ 1,144.30 | \$ 1,282.32 | |
| | | January 2017 - March 2017 | \$ - | \$ - | \$ - | |
| | | Total | | \$ 25,345.32 | \$ 11,239.80 | \$ 14,105.52 |

Effect on the General Ledger: To be determined

Finding 8: Meridian West Apartments (Account MW001)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Meridian West Apartments base facility charge (BFC) of one hundred three 5/8” meters. After the last rate case, the technical staff determined that this account should be billed at one 6” meter. In March 2013, the utility billed the BFC of \$1,834.43/month (\$17.81*103) on the 5/8” meter. The utility should have billed \$952.64/month at one 6” meter. During the periods\ of April 2013 to March 2016, the utility billed the BFC of \$1,834.43/month (\$17.81*103) on the 5/8” meter. The utility should have billed the BFC of \$890.49/month at one 6” meter. During the period of April 2016 to February 2017, the utility billed the BFC of \$1,583.00/month at one 6” meter and \$158.30/month at one 1.5” meter. The utility should have billed \$1583.00/month at one 6” meter. In March 2017, the utility billed \$1,584.61/month at one 6” meter and \$158.46/month at one 1.5” meter prorated. The utility should have billed \$1,584.61/month. The utility stated a 1.5” meter had been added since the last proceeding. Audit staff was unable to determine if the utility has added the 1.5” meter. We requests technical staff to review and confirm the location and size of the meter.

| K W RESORT UTILITIES CORP. | | | | | | |
|---|-----------|------------------------------|----------------|---------------|--------------|--|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| Account Name | Account # | Year | Utility Amount | Audit Amount | Difference | |
| Meridian West Apts. | MW001 | March 2013 - December 2013 | \$ 31,631.17 | \$ 23,135.71 | \$ 8,495.46 | |
| | | January 2014 - December 2014 | \$ 42,392.51 | \$ 31,065.23 | \$ 11,327.28 | |
| | | January 2015 - December 2015 | \$ 39,428.25 | \$ 29,044.91 | \$ 10,383.34 | |
| | | January 2016 - December 2016 | \$ 45,890.55 | \$ 41,786.71 | \$ 4,103.84 | |
| | | January 2017 - March 2017 | \$ 11,136.36 | \$ 10,661.30 | \$ 475.06 | |
| Total | | | \$ 170,478.84 | \$ 135,693.86 | \$ 34,784.98 | |

Effect on the General Ledger: To be determined

Finding 9: Fourth Avenue LLC (Account R090)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Fourth Avenue LLC base facility charge (BFC) of seventeen 5/8” meters. After the last rate case, the technical staff determined that this account should be billed at three 5/8” meter. In March 2013, the utility billed the BFC of \$302.77/month (\$17.81*17) on the 5/8” meter. The utility should have billed \$57.15/month at three 5/8” meter. During the period of April 2013 to March 2016, the utility billed the BFC of \$302.77/month (\$17.81*17) on three 5/8” meter. The utility should have billed the BFC of \$53.43/month at three 5/8” meter. During the period of April 2016, the utility billed \$29.52/month at one 5/8” meter prorated. The utility should have billed the BFC of \$88.56/month at three 5/8” meters. During the periods of May 2016 to February 2017, the utility billed the BFC of \$79.15/month at one 1” meter. The utility should have billed \$94.98/month at three 5/8” meter. In March 2017, the utility billed \$79.23/month at one 1” meter. The utility should have billed \$95.07/month (\$31.66*3) at three 5/8” meter prorated. Audit staff was unable to determine if the utility has added the 1” meter. We request technical staff to review and confirm the location and size of the meter.

| K W RESORT UTILITIES CORP. | | | | | | |
|---|------------------|------------------------------|-----------------------|---------------------|-------------------|--------------|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| Account Name | Account # | Year | Utility Amount | Audit Amount | Difference | |
| 5730 4th Ave LLC | R090 | March 2013 - December 2013 | \$ 5,619.84 | \$ 3,375.78 | \$ 2,244.06 | |
| | | January 2014 - December 2014 | \$ 6,985.17 | \$ 3,993.09 | \$ 2,992.08 | |
| | | January 2015 - December 2015 | \$ 5,882.72 | \$ 2,890.64 | \$ 2,992.08 | |
| | | January 2016 - December 2016 | \$ 3,760.78 | \$ 3,198.41 | \$ 562.37 | |
| | | January 2017 - March 2017 | \$ 548.66 | \$ 596.16 | \$ (47.50) | |
| | | Total | | | \$ 22,797.17 | \$ 14,054.08 |

Effect on the General Ledger: To be determined

Finding 10: Banyan Grove (Account BG006)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Banyan Grove base facility charge (BFC) of forty-eight 5/8” meters. After the last rate case, the technical staff determined that this account should be billed at one 5/8” meter, 1” meter, and 1.5” meter. In March 2013, the utility billed the BFC of \$854.88/month (\$17.81*48) on the 5/8” meter. The utility should have billed \$19.05/month at one 5/8” meter, \$47.64/ month at one 1” meter, and \$95.26/month at one 1.5” meter. During the period of April 2013 to March 2016, the utility billed the BFC of \$854.88/month (\$17.81*48) on the 5/8” meter. The utility should have billed the BFC of \$17.81/month at one 5/8” meter, \$44.53/ month at one 1” meter, and \$89.05/month at one 1.5” meter. During the period of April 2016, the utility billed \$29.52/month at one 5/8” meter prorated. The utility should have billed the BFC of \$29.52/month at one 5/8” meter, \$73.80/month at one 1” meter, and \$147.60/month at one 1.5” meter. During the periods of May 2016 to February 2017, the utility billed the BFC of \$31.66/month at one 5/8” meter, \$79.15/month at one 1” meter, and \$158.46/month at 1.5” meter. Audit staff agrees with the amounts charged during this period. In March 2017, the utility billed \$31.69/month at one 5/8” meter, \$79.23/month at one 1” meter, and \$158.46/month at 1.5” meter prorated. Audit staff agrees with the amounts being charged during this period. Audit staff was unable to determine when the utility added the 1” and 1.5” meter. We request technical staff to review and confirm the location and size of the meter.

| K W RESORT UTILITIES CORP. | | | | | | |
|--------------------------------------|-----------|------------------------------|----------------|--------------|--------------|--------------|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| Account Name | Account # | Year | Utility Amount | Audit Amount | Difference | |
| Banyan Grove Residences LTD | BG006 | March 2013 - December 2013 | \$ 12,312.46 | \$ 7,984.66 | \$ 4,327.80 | |
| | | January 2014 - December 2014 | \$ 23,370.25 | \$ 14,714.65 | \$ 8,655.60 | |
| | | January 2015 - December 2015 | \$ 24,925.14 | \$ 16,269.54 | \$ 8,655.60 | |
| | | January 2016 - December 2016 | \$ 7,393.66 | \$ 5,308.37 | \$ 2,085.29 | |
| | | January 2017 - March 2017 | \$ - | \$ - | \$ - | |
| | | Total | | | \$ 68,001.51 | \$ 44,277.22 |

Effect on the General Ledger: To be determined

Finding 11: ITNOR-Waters Edge (Account WE002)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed ITNOR-Waters Edge base facility charge (BFC) of thirteen 5/8” meters. After the last rate case, the technical staff determined that this account should be billed at two 5/8” meter. In March 2013, the utility billed the BFC of \$231.53/month (\$17.81*13) on the 5/8” meter. The utility should have billed \$31.10/month (\$19.05*2) at two 5/8” meter. During the period of April 2013 to March 2016, the utility billed the BFC of \$231.53/month (\$17.81*13) on thirteen 5/8” meter. The utility should have billed the BFC of \$35.62/month (\$17.81*2) at two 5/8” meter. During the period of April 2016 to March 2017, the utility billed the BFC of \$31.66/month at one 5/8” meter. Audit staff was unable to determine if the utility has changed the 5/8” meter. We requests technical staff to review and confirm the location and size of the meter.

| K W RESORT UTILITIES CORP. | | | | | |
|---|------------------|--------------------------------------|-----------------------|---------------------|--------------------|
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | |
| <u>Account Name</u> | <u>Account #</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| ITNOR- Waters Edge | WE002 | March 23, 2013 to December 31, 2013 | \$ 4,060.41 | \$ 2,103.79 | \$ 1,956.62 |
| | | January 1, 2014 to December 31, 2014 | \$ 5,652.84 | \$ 3,301.92 | \$ 2,350.92 |
| | | January 1, 2015 to December 31, 2015 | \$ 6,265.55 | \$ 3,909.63 | \$ 2,355.92 |
| | | January 1, 2016 to December 31, 2016 | \$ 5,424.46 | \$ 5,315.44 | \$ 109.02 |
| | | January 1, 2017 to March 23, 2017 | \$ 758.57 | \$ 853.58 | \$ (95.01) |
| | | Total | \$ 22,161.83 | \$ 15,484.36 | \$ 6,677.47 |

Effect on the General Ledger: To be determined

Finding 12: Effluent Sales

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. Audit staff recalculated each account to verify customers were charged correctly. Based off of the provided the report the utility did not charge for effluent sales. The utility had to provide an additional report to show where the effluent sales were being charged. Audit staff recalculated based off of usage, the utility is using \$.78 as the volume charge instead of the prorated amount of \$ 0.83, based off the utility response.

| K W RESORT UTILITIES CORP. | | | | |
|------------------------------------|-------------------|-----------------------|---------------------|-------------------|
| APRIL 2016 - EFFLUENT SALES | | | | |
| <u>Type</u> | <u>Meter Size</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| Effluent Sales | --- | \$ 4,629.57 | \$ 4,888.84 | \$ (259.27) |

Effect on the General Ledger: To be determined

Finding 13: Boyd's Camp Ground (Account BC001)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. In April 2016 the utility billed Boyd's Camp Ground base facility charge (BFC) of \$8.76/month prorated on the 5/8" meters. Boyd's should have been charged \$31.66/month based on the tariff that was approved Per Order PSC-20160123-PAA-SU.

| K W RESORT UTILITIES CORP. | | | | |
|--|-------------------|-----------------------|---------------------|-------------------|
| APRIL 2016 - BOYD'S CAMP GROUND | | | | |
| <u>Type</u> | <u>Meter Size</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| Boyd's Camp Ground | 5/8" | \$ 2,342.30 | \$ 2,108.22 | \$ 234.08 |

Effect on the General Ledger: To be determined

Finding 14: Private Lift Stations for 5/8"

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. During the periods of April 2016 to March 2017, the Utility billed Private Lift Station Customers under two different tariff rates for the 5/8" meter. The utility billed the base facility charge (BFC) of \$25.33/month, and \$3.87 for the gallons usage charge on the 5/8" Private lift station meter. Per Order PSC-2016-0123-PAA-SU, the utility should have only billed \$25.33/month, and \$6.30 gallonage charge on the 5/8" Private lift station meter.

| K W RESORT UTILITIES CORP. | | | | | |
|--|-------------------|--------------|-----------------------|---------------------|----------------------|
| APRIL 2016 - MARCH 2017 - PRIVATE LIFT STATIONS | | | | | |
| <u>Type</u> | <u>Meter Size</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| Private Lift Station | 5/8" | 2016 | \$ 28,913.92 | \$ 30,080.27 | \$ (1,166.35) |
| | | 2017 | \$ 9,857.94 | \$ 10,476.59 | \$ (618.65) |
| | | Total | \$ 38,771.86 | \$ 40,556.86 | \$ (1,785.00) |

Effect on the General Ledger: To be determined

Finding 15: Harbor Shores

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The utility billed Harbor Shores base facility charge (BFC) of \$0.00 and billed \$5.25 for gallon usage. The utility should have billed \$31.66/month, and \$5.25 for gallon usage. According to the response provided by the utility, residential customers are billed in advance. Harbor Shores has an approved tariff Per Order PSC-2017-0091-FOF-SU, however was not effective during the March 2017 billing period.

| K W RESORT UTILITIES CORP. | | | | |
|-----------------------------------|-------------------|-----------------------|---------------------|-------------------|
| MARCH 2017 - HARBOR SHORES | | | | |
| <u>Type</u> | <u>Meter Size</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| Harbor Shores | 5/8" | \$ 1,318.74 | \$ 3,503.28 | \$ (2,184.54) |

Effect on the General Ledger: To be determined

Finding 16: Roy's Trailer Park (Account RTP)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The utility originally was billing Account RTP under residential service for the approved tariff amounts from March 2013 through October 2015. In November of 2015 through February 2017, the utility then billed for multiple 5/8" meters. However, there is only one 5/8" meter at each location. According to the utility's response, these used to be single family homes that over a period of time were modified into duplexes, triplexes, quadplexes, 5-plex, and 6-plex living units. Audit staff recalculated all of the RTP accounts using one 5/8" meter times the appropriate tariff at that time.

| K W RESORT UTILITIES CORP. | | | | | | |
|---|-------------------------------|-------------------------------|-----------------------|---------------------|---------------------|--|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: NOVEMBER 2015 - FEBRUARY 2016 | | | | | | |
| <u>Account Name</u> | <u>Account #</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> | |
| RTP | x2 Base Rate | November 2015 - December 2015 | \$ 615.52 | \$ 401.80 | \$ 213.72 | |
| | | January 2016 - February 2016 | \$ 587.27 | \$ 373.55 | \$ 213.72 | |
| | | April 2016 - February 2017 | \$ 528.53 | \$ 566.51 | \$ (37.98) | |
| | x3 Base Rate | November 2015 - December 2015 | \$ 4,050.09 | \$ 2,157.94 | \$ 1,892.15 | |
| | | January 2016 - February 2016 | \$ 4,038.82 | \$ 2,084.03 | \$ 1,954.79 | |
| | | April 2016 - February 2017 | \$ 2,932.57 | \$ 3,158.59 | \$ (226.02) | |
| | x4 Base Rate | November 2015 - December 2015 | \$ 6,926.75 | \$ 3,106.60 | \$ 3,820.15 | |
| | | January 2016 - February 2016 | \$ 6,812.15 | \$ 2,993.20 | \$ 3,818.95 | |
| | | April 2016 - February 2017 | \$ 4,488.72 | \$ 4,576.51 | \$ (87.79) | |
| x5 Base Rate | November 2015 - December 2015 | \$ 4,475.91 | \$ 1,782.42 | \$ 2,693.49 | | |
| | January 2016 - February 2016 | \$ 4,433.36 | \$ 1,707.73 | \$ 2,725.63 | | |
| | April 2016 - February 2017 | \$ 2,538.62 | \$ 2,611.31 | \$ (72.69) | | |
| x6 Base Rate | November 2015 - December 2015 | \$ 1,549.27 | \$ 538.79 | \$ 1,010.48 | | |
| | January 2016 - February 2016 | \$ 1,445.54 | \$ 489.64 | \$ 955.90 | | |
| | April 2016 - February 2017 | \$ 695.63 | \$ 692.20 | \$ 3.43 | | |
| Total | | | \$ 46,118.75 | \$ 27,240.82 | \$ 18,877.93 | |

Effect on the General Ledger: To be determined

Finding 17: Flagler Village (Account FV001)

Audit Analysis: The Utility provided a Base & Overage Report for March 2013 through March 2017, and a Billing History Report from April 2016 through March 2017. The Utility billed Flagler Village base facility charge (BFC) of forty-eight 5/8” meters. After the last rate case, the technical staff determined that this account should be billed at one 2” meter. In March 2013, the utility billed the BFC of \$872.69/month (\$17.81*49) on the 5/8” meter. The utility should have billed \$152.42/month at one 2” meter. During the period of April 2013 to March 2016, the utility billed the BFC of \$872.69/month (\$17.81*49) on the 5/8” meter. The utility should have billed the BFC of \$152.42/month at one 2” meter. During the period of April 2016, the utility billed \$4.64 per gallons used. The utility should have billed the BFC of \$166.09/month at one 2” meter. During the period of May 2016 to February 2017, the utility billed the BFC of \$31.66/month at two 5/8” meter, \$79.15/month at one 1” meter, and \$253.28/month at one 2” meter. The utility should have billed the BFC of \$253.28/month at one 2” meter. In March 2017, the utility billed \$31.69/month at one 5/8” meter, \$79.23/month at one 1” meter, and \$253.54/month at 2” meter. Audit staff agrees with the amounts being charged during this period. The utility should have billed the BFC of \$253.28/month at one 2” meter. We request technical staff to review and confirm the location and size of the meter.

| K W RESORT UTILITIES CORP. | | | | | | |
|---|------------------|------------------------------|-----------------------|---------------------|---------------------|--|
| KWRU'S BILLING AUDIT | | | | | | |
| TIME PERIOD: MARCH 2013 - MARCH 2017 | | | | | | |
| <u>Account Name</u> | <u>Account #</u> | <u>Year</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> | |
| Flagler Village | FV001 | March 2013 - December 2013 | \$ 17,830.21 | \$ 11,258.23 | \$ 6,571.98 | |
| | | January 2014 - December 2014 | \$ 24,293.89 | \$ 15,531.25 | \$ 8,762.64 | |
| | | January 2015 - December 2015 | \$ 26,952.18 | \$ 18,189.54 | \$ 8,762.64 | |
| | | January 2016 - December 2016 | \$ 24,605.34 | \$ 21,268.69 | \$ 3,336.65 | |
| | | January 2017 - March 2017 | \$ 5,191.07 | \$ 4,763.52 | \$ 427.55 | |
| | | Total | \$ 98,872.69 | \$ 71,011.23 | \$ 27,861.46 | |

Effect on the General Ledger: To be determined

Finding 18: Residential and General Service Customers

Audit Analysis: The utility provided the Base & Overage report for March 2013. Audit staff recalculated each account to verify customers were charged correctly per the tariff. According to the utility residential customers are charged in advance. However, the utility charged the \$17.81 base rate from the fourteenth revised tariff, and used \$4.14 for the gallonage charge from the thirteenth revised tariff. Audit staff recalculated based off of the fourteenth revised tariff \$17.81 base rate and \$3.87 gallonage charge.

The utility provided the Base & Overage Report from March 2013 through March 2017. The Utility also provided a billing history report for the remaining months April 2016 through March 2017. In April 2016, the utility charged the \$31.66 base rate from the Original Sheet No. 13.0 tariff, and used \$3.87 for the gallonage charge from the fourteenth revised tariff. Audit staff recalculated based off of the Original Sheet No. 13.0 tariff \$31.66 base rate and \$5.25 gallonage charge.

In March 2017, the utility charged the \$31.86 base rate from the First Revised Sheet 13.0 tariff, and used \$5.25 for the gallonage charge from the Original Sheet No. 13.0 tariff. Audit staff recalculated based off of the First Revised Sheet No. 13.0 tariff \$31.86 base rate and \$5.28 gallonage charge. See Table 14-1

Table 14-1

| K W RESORT UTILITIES CORP. | | | | |
|-------------------------------------|-------------------|-----------------------|---------------------|---------------------|
| KWRU'S BILLING AUDIT | | | | |
| RESIDENTIAL TARIFF VARIANCES | | | | |
| <u>Type</u> | <u>Meter Size</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| Residential (2013) | 5/8" | \$ 51,203.38 | \$ 49,708.53 | \$ 1,494.85 |
| Residential (2016) | 5/8" | \$ 67,264.25 | \$ 74,589.81 | \$(7,325.56) |
| Residential (2017) | 5/8" | \$ 84,033.69 | \$ 82,605.50 | \$ 1,428.19 |
| Total | | \$202,501.32 | \$206,903.84 | \$(4,402.52) |

The utility provided the Base & Overage report for March 2013. Audit staff recalculated each account to verify customers were charged correctly per the tariff. According to the utility general service customers are charged in arrears. However, the utility charged the \$17.81 base rate from the fourteenth revised tariff, and used \$4.96 for the gallonage charge from the thirteenth revised tariff. Audit staff recalculated based off of the thirteenth revised tariff \$19.05 base rate and \$4.96 gallonage charge.

The utility provided the Base & Overage Report from March 2013 through March 2017. The Utility also provided a billing history report for the remaining months April 2016 through March 2017. The utility used various base rate charges, and \$4.64 from fourteenth revised tariff.

However, based off a response the utility should be using a prorated amount of \$29.52 as the base rate and \$4.64 for gallonage. See Table 14-2

Table 14-2

| K W RESORT UTILITIES CORP. | | | | |
|---|-------------------|-----------------------|---------------------|--------------------|
| KWRU'S BILLING AUDIT | | | | |
| GENERAL SERVICE TARIFF VARIANCES | | | | |
| <u>Type</u> | <u>Meter Size</u> | <u>Utility Amount</u> | <u>Audit Amount</u> | <u>Difference</u> |
| General Service (2013) | 5/8" | \$ 17,063.19 | \$ 17,369.48 | \$ (306.29) |
| | 1" & 5/8" | \$ 982.82 | \$ - | \$ 982.82 |
| General Service (2016) | 5/8" | \$ 17,063.19 | \$ 17,369.48 | \$ (306.29) |
| | 1" & 5/8" | \$ 982.82 | \$ - | \$ 982.82 |
| Total | | \$ 36,092.02 | \$ 34,738.96 | \$ 1,353.06 |

Effect on the General Ledger: To be determined