

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. 20170141-SU
ORDER NO. PSC-2018-0242-PHO-SU
ISSUED: May 10, 2018

PREHEARING ORDER

Pursuant to Notice and in accordance with Rule 28-106.209, Florida Administrative Code (F.A.C.), a Prehearing Conference was held on May 1, 2018, in Tallahassee, Florida, before Commissioner Donald J. Polmann, as Prehearing Officer.

APPEARANCES:

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On behalf of K W Resort Utilities Corporation (KWRU)

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On behalf of Monroe County Florida (Monroe County)

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On behalf of Office of Public Counsel (OPC)

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On behalf of the Florida Public Service Commission (Staff)

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Florida Public Service Commission General Counsel

PREHEARING ORDER

I. CASE BACKGROUND

K W Resort Utilities Corp. (KWRU or Utility) is a Class A utility providing wastewater service to approximately 1,867 customers in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority (FKAA). Rates were last established for this Utility in 2017.¹ In 2016, KWRU recorded total company operating revenues of \$2,135,343 and operating expenses of \$1,815,421. On November 21, 2017, KWRU filed its application for the rate case at issue. The Office of Public Counsel (OPC) and Monroe County intervened on November 30, 2017, and December 15, 2017, respectively. By Order No. PSC-2018-0102-PCO-SU the Commission approved interim rates and a one-time surcharge, and suspended final rates. This matter has been scheduled for an administrative hearing on May 15-17, 2018.

II. CONDUCT OF PROCEEDINGS

Pursuant to Rule 28-106.211, F.A.C., this Prehearing Order is issued to prevent delay and to promote the just, speedy, and inexpensive determination of all aspects of this case.

III. JURISDICTION

This Commission is vested with jurisdiction over the subject matter by the provisions of Chapter 367, Florida Statutes (F.S.). This hearing will be governed by said Chapter and Chapters 25-9, 25-30, 25-22, and 28-106, F.A.C., as well as any other applicable provisions of law.

IV. PROCEDURE FOR HANDLING CONFIDENTIAL INFORMATION

Information for which proprietary confidential business information status is requested pursuant to Section 367.156, F.S., and Rule 25-22.006, F.A.C., shall be treated by the Commission as confidential. The information shall be exempt from Section 119.07(1), F.S., pending a formal ruling on such request by the Commission or pending return of the information to the person providing the information. If no determination of confidentiality has been made and the information has not been made a part of the evidentiary record in this proceeding, it shall be returned to the person providing the information within the time period set forth in Section 367.156, F.S. The Commission may determine that continued possession of the information is necessary for the Commission to conduct its business.

¹ Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in Docket No. 20150071-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

It is the policy of this Commission that all Commission hearings be open to the public at all times. The Commission also recognizes its obligation pursuant to Section 367.156, F.S., to protect proprietary confidential business information from disclosure outside the proceeding. Therefore, any party wishing to use any proprietary confidential business information, as that term is defined in Section 367.156, F.S., at the hearing shall adhere to the following:

- (1) When confidential information is used in the hearing that has not been filed as prefiled testimony or prefiled exhibits, parties must have copies for the Commissioners, necessary staff, and the court reporter, in red envelopes clearly marked with the nature of the contents and with the confidential information highlighted. Any party wishing to examine the confidential material that is not subject to an order granting confidentiality shall be provided a copy in the same fashion as provided to the Commissioners, subject to execution of any appropriate protective agreement with the owner of the material.
- (2) Counsel and witnesses are cautioned to avoid verbalizing confidential information in such a way that would compromise confidentiality. Therefore, confidential information should be presented by written exhibit when reasonably possible.

At the conclusion of that portion of the hearing that involves confidential information, all copies of confidential exhibits shall be returned to the proffering party. If a confidential exhibit has been admitted into evidence, the copy provided to the court reporter shall be retained in the Office of Commission Clerk's confidential files. If such material is admitted into the evidentiary record at hearing and is not otherwise subject to a request for confidential classification filed with the Commission, the source of the information must file a request for confidential classification of the information within 21 days of the conclusion of the hearing, as set forth in Rule 25-22.006(8)(b), F.A.C., if continued confidentiality of the information is to be maintained.

V. PREFILED TESTIMONY AND EXHIBITS; WITNESSES

Testimony of all witnesses to be sponsored by the parties and Staff have been prefiled and will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and associated exhibits. All testimony remains subject to timely and appropriate objections. Upon insertion of a witness' testimony, exhibits appended thereto may be marked for identification. Each witness will have the opportunity to orally summarize his or her testimony at the time he or she takes the stand. Summaries of testimony shall be limited to five minutes.

Witnesses are reminded that, on cross-examination, responses to questions calling for a simple yes or no answer shall be so answered first, after which the witness may explain his or her answer. After all parties and Staff have had the opportunity to cross-examine the witness, the exhibit may be moved into the record. All other exhibits may be similarly identified and entered into the record at the appropriate time during the hearing.

The Commission frequently administers the testimonial oath to more than one witness at a time. Therefore, when a witness takes the stand to testify, the attorney calling the witness is directed to ask the witness to affirm whether he or she has been sworn.

The parties shall avoid duplicative or repetitious cross-examination. Further, friendly cross-examination will not be allowed. Cross-examination shall be limited to witnesses whose testimony is adverse to the party desiring to cross-examine. Any party conducting what appears to be a friendly cross-examination of a witness should be prepared to indicate why that witness's direct testimony is adverse to its interests.

VI. ORDER OF WITNESSES

Each witness whose name is preceded by a plus sign (+) will present direct and surrebuttal testimony together.

<u>Witness</u>	<u>Proffered By</u>	<u>Issues #</u>
Deborah D. Swain	KWRU	3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 46, 47
Christopher A. Johnson	KWRU	1, 2, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 38, 44, 45, 47
Frank Seidman	KWRU	8, 29
+ Andrew T. Woodcock	OPC	1, 2, 4, 45
+ Helmuth W. Schultz, III	OPC	4-7, 9-14, 18-34
Kevin G. Wilson, P.E.	County	6, 15, 16, 34, 35
Jeffery A. Small	County	15, 16, 34, 35, 36
J. Terry Deason	County	6, 15, 16, 35, 36
Marisa Glover	STAFF	3, 17

<u>Rebuttal</u>	<u>Proffered By</u>	<u>Issues #</u>
Deborah D. Swain	KWRU	3, 4, 5, 6, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 46, 47
Christopher A. Johnson	KWRU	1, 2, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 30, 38, 44, 45, 47
Edward R. Castle	KWRU	2
Robert C. Pabian	KWRU	2

VII. BASIC POSITIONS

KWRU: KWRU is entitled to annual revenues in the amount of \$3,682,216,² including amortization of current rate case expense.

OPC: K W Resorts Utility, Corp. (KWRU, Utility, or Company) has the burden of proof to support its requested rate increase. *Florida Power Corp. v. Cresse*, 413 So. 2d 1187 (1982). It is neither the Intervenors' nor staff's burden to place evidence in the record to support KWRU's requested rate increase. Order No. PSC-07-0129-SC-WS, issued February 14, 2007, in Docket No. 060262-WS. The parties of record have the duty to establish the hearing record in this case and the Commission's decision must be based upon that hearing record.

Consistent with the Commission's decision in 2017 in KWRU's last rate case and to accommodate known and measurable growth, the Commission should apply the matching principle to the rates and charges in the first year new rates will be in effect. As the Commission noted in that decision, increasing the Utility's costs and expenses without increasing known and measureable revenues from anticipated growth, or failing to adjust the billing determinants (factored ERCs and gallons) for that anticipated growth, is a violation of the matching principle. The Commission should also carefully examine the pro forma plant additions requested by KWRU, especially these pro forma plant additions which were only supported by a sole source bid.

In its direct case, KWRU is requesting a \$1,349,960 (or 57.9%) increase in revenue requirements. That is the amount requested in its direct case *prior* to the filing of Intervenor testimony. OPC Witness Schultz opined that approximately

² While KWRU contends it is entitled to revenue in the amount of \$3,761,710, it has agreed it is limited to \$3,682,216 as requested in the initial MFRs.

\$701,267 was supported by the evidence. He made adjustments to the Utility's rate base, net operating income, and capital structure based on the recommendations of OPC Witness Woodcock's review of KWRU's requested pro forma plant additions, as well as his own investigation into and evaluation of the Utility's direct case. These recommended adjustments are reasonable and consistent with the Commission's decision in prior rate cases. In rebuttal, KWRU has increased its original increase request by amending its minimum filing requirement ("MFR") schedules previously deemed complete and non-deficient.

Notable recommended adjustments - OPC Witness Woodcock recommends a percentage reduction to pro forma plant additions that were only supported by a sole source bid. A prudent utility should seek more than one competitive bid to ensure that its customers benefit from the least cost and best option. Therefore, the Commission should reduce the plant in service amount by 11.7% for this imprudent practice. Witness Woodcock also recommends the implementation of a robust asset management program to complement KWRU's nascent preventive maintenance activities. Doing so will benefit the Company and its customers in the long run.

Witness Schultz recommends that working capital cash should remain the same balance that the Commission approved last year in KWRU's last rate case. He recommends that the entirety of the \$288,000 modular office pro forma plant addition be removed. In its direct and rebuttal, KWRU claimed that the cost of the modular office will not exceed \$288,000; however, it is inappropriate for the Commission to plug a "not to exceed" number into rate base. Witness Schultz further recommends reductions to salaries and pension expenses and officers' compensation, the elimination of duplicative expenses (i.e., the duplicative phone system), and other reductions to expenses in net operating income. His recommendations are summarized on pages 14 and 15 of his prefiled testimony.

Last, the Commission should not allow KWRU a second opportunity to increase its revenue requirement through rebuttal. It is not fair or reasonable to allow KWRU to add new costs in rebuttal without an opportunity for OPC witnesses to file surrebuttal testimony on those increased costs. KWRU revised several of its MFR schedules in rebuttal, after Intervenor testimony was filed, increasing its revenue requirement beyond what it requested in its direct case. It is undisputed that KWRU has full control over the expenses and pro forma changes it includes in its MFRs and which test year it selects, thus allowing KWRU to modify its MFRs at such a late juncture ignores the purpose of these two ratemaking facts to the detriment of the customers. Therefore, in the interest of due process, the Commission should strike these revisions or, in the alternative, restart the statutory time clock from the date KWRU filed its rebuttal testimony and grant a continuance of this hearing, allowing the Intervenors to file responsive surrebuttal testimony. Because KWRU chose to increase its costs and revise its original MFRs previously deemed complete, the Intervenors have a right to request that

these new costs and revised information be struck from the Company's rebuttal testimony, or that additional time for discovery, additional testimony, and new hearing dates be established in order to protect the customers' due process rights. Note: OPC's positions on the issues may change in the post-hearing brief as a result of testimony or evidence adduced at hearing.

COUNTY: 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 its certificated service area on Stock Island, Florida, at fair, just, and reasonable rates, charges, and conditions of service. In this proceeding, the Commission will 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. Monroe County, one of KWRU's largest customers if not its largest customer, believes and asserts that the statutory requirement to provide "efficient" service must mean that KWRU must fulfill its statutory obligation to serve at the lowest possible total cost.

Monroe County further believes and asserts that the rates paid by KWRU's customers, and indeed by any utility's customers, must be matched to the costs 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 pay the costs to serve them in 2016, and that customers receiving service in 2017 and 2018 will pay the costs incurred to serve them in 2017 and 2018.

Like the last KWRU rate case which was decided in 2017 and other PSC cases, this case presents significant issues of achieving the proper matching of costs and rates because the Utility's filing is based on a 2016-17 "historic" test year with certain "pro forma" adjustments to rate base and expenses, chosen by KWRU, that the Utility asserts it has incurred or will incur well beyond the end of its "historic" test year, i.e., after June 30, 2017. The Utility proposes "pro forma" additions to rate base of more than \$6 Million, and "pro forma" additions of more than \$800,000 to Operating & Maintenance expenses outside its "historic" test year.

The rates to be paid by KWRU's customers, however, will not even begin to apply to their service until the imposition of the rates approved by the Commission at the conclusion of this docket, which will likely be in August or September of 2018, more than a full year after the end of KWRU's proposed "historic" test year. Under these circumstances, in order to achieve fair, just, and reasonable rates and charges, the Commission must ensure that the rates paid by

KWRU's customers are properly calculated to recover KWRU's costs during the time that those rates will be in effect. This can easily be accomplished by making corresponding "pro forma" adjustments in the relevant variables – including billing determinants and Contributions in Aid of Construction – to achieve proper matching of rates paid and costs incurred. The substantive point is this: customers should pay rates based on the cost to serve them and based on the amounts of service purchased in the time period in which those rates are to be in effect. The Utility wishes to have its revenue requirements based on future costs – costs incurred beyond the end of its "historic" test year – while ignoring additional sales and additional CIAC collected in the same future periods; this 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.

Regarding KWRU's total cost to serve, 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 and other rate base accounts, notably working capital, as recommended by OPC's witnesses Andrew Woodcock and Helmuth Schultz, and the Commission should also adjust the Utility's requested O&M expenses as recommended by OPC's witness Helmuth Schultz.

In addition to the foregoing 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 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 proposed 2016-17 "historic" test year. Using costs for future years, including the last six months of 2017, 2018, and probably even 2019 to establish revenue requirements without correspondingly updating the billing determinants (number of bills rendered and number of gallons of wastewater billed for) will result in a mismatch of cost incurrence and cost recovery. Specifically, under the Utility's proposals, recovering the greater costs that the Utility claims it will incur – i.e., its "pro forma" adjustments - in 2017, 2018, and 2019 over the smaller billing units experienced by the Utility in the twelve months ending on June 30, 2017, 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, 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 during the time that the rates are in effect.

For purposes of using correct billing determinants and also using the appropriate amounts of CIAC that correspond to the time periods in which customers will be paying the rates set in this case, Monroe County relies on the testimony and exhibits of Kevin G. Wilson, P.E., which address likely additional customer connections in KWRU's service area. With regard to translating the additional customers and usage testified to by Mr. Wilson into the additional revenues that those customers will produce, Monroe County relies on the testimony and exhibits of Jeffery A. Small, formerly an auditor on the PSC Staff. The increased revenues from this additional usage are approximately \$185,000; this in turn reduces the Utility's need for any revenue increase that the Commission may approve by this amount.

With regard to the fundamental ratemaking policy that costs incurred and units of sales should be matched to achieve fair, just, and reasonable rates, Monroe County relies on the prefiled direct testimony of J. Terry Deason, filed in this docket on March 14, 2018.

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. With regard to KWRU's 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. The Utility's failure to support its requests is also demonstrated by the Commission's Final Order No. 2017-0091-FOF-SU, issued in KWRU's last rate case (Docket No. 20150071-SU), in which KWRU sought approval of a total revenue requirement of \$3,345,357 but the Commission approved a substantially lower revenue requirement of \$2,436,418; the approved increase was \$901,618 per year, which was less than half the Utility's requested increase of \$1,866,050. Order No. PSC-2017-0091-FOF-SU at 65.

Finally, the need for close Commission scrutiny is further highlighted by KWRU's improper attempts to increase its requested rate increases by supplemental direct testimony in the guise of rebuttal testimony.

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

VIII. ISSUES AND POSITIONS

ISSUE 1: Is the quality of service provided by K W Resort satisfactory?

KWRU: Yes. KWRU is providing satisfactory quality of service to its customers.

OPC: The condition of the wastewater treatment plant does not appear to be unsatisfactory, but Witness Woodcock testified that KWRU should begin applying asset management principles to its operations and planning activities. If properly implemented, it should result in reduced costs and improved levels of service, benefiting the customer and utility alike.

The customer quality of service is unknown. KWRU claims to have few customer complaints. The customers will have an opportunity to testify at the two quality of service hearings held on May 15 and 16 and that testimony will form the basis of OPC's final position on this issue.

COUNTY: The quality of treatment by the Utility's wastewater treatment facilities appears to be adequate. With respect to customer service, this is a factual issue that is subject to determination based on the evidence that will likely be presented by customers at the Customer Service Hearings that will be held on May 15 and 16, 2018. Accordingly, for this good cause shown, Monroe County has no position at this time on this issue, pending receipt of the customers' testimony.

STAFF: Staff has no position pending evidence adduced at hearing.

Rate Base

ISSUE 2: Was the Utility's use of single source bidding reasonable and prudent for certain pro forma plant additions, and if not, what action should the Commission take regarding these pro forma projects?

KWRU: Yes. As testified by Professional Engineer Edward R. Castle in his rebuttal testimony with regard to the plant rehabilitation, the sole source bidder was the original designer and the modifier (to meet AWT standards) of the unique treatment trains requiring refurbishment and is the only potential provider with access to detailed designs and specifications for the replacement components. Further, as testified by Witness Johnson in his rebuttal testimony, the savings

alleged to be available based on a “similar” project where competitive bids were obtained are illusory when the cost of developing designs and specifications of the bid process are considered. (Johnson, Castle) As testified by KWRU President Christopher A. Johnson in his rebuttal testimony with regard to the L2A Lift Station Replacement, Wharton Smith declined to bid based on mobilization costs and previous bids on a functionally identical lift station. As testified by Pabian Outdoor-Southeast, Inc. President Robert C. Pabian in his rebuttal testimony with regard to the new modular office, the mobile home vendor engaged by KWRU works with multiple mobile home manufacturers to obtain the best price and value.

OPC: No. A prudent utility would obtain multiple bids even if one potential bidder owns all the intellectual property, thereby allowing an apples to apples comparison of bids. Since most of the “single source bidding” pro forma plant items have not been placed into service, consistent with Mr. Woodcock’s testimony, the Commission should reduce the plant in service amount by 11.7% for this imprudent practice. In a subsequent proceeding after the plant is placed into service, the Commission can verify the cost and prudence of the expenditures.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 3: **What adjustments, if any, should be made to account for the audit findings related to rate base?**

KWRU: None.

OPC: Utility Plant in Service should be decreased by \$8,128, Accumulated Depreciation should be increased by \$2,619, and Working Capital should be decreased by \$20,160.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 4: **What is the appropriate amount of plant in service to be included in rate base?**

KWRU: \$19,252,125.

OPC: The appropriate amount of Utility Plant in Service to be used in setting rates should be \$19,226,696.

COUNTY: The proper amount of Plant in Service is \$19,226,696.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 5: What is the appropriate amount of accumulated depreciation to be included in rate base?

KWRU: \$6,490,653.

OPC: The appropriate amount of Accumulated Depreciation to be used in setting rates should be \$6,242,436.

COUNTY: The proper amount of Accumulated Depreciation is \$6,242,436.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 6: What is the appropriate amount of CIAC to be included in rate base?

KWRU: \$10,406,318.

OPC: The appropriate amount of CIAC to be used in setting rates should be \$10,406,318.

COUNTY: The proper amount of CIAC is \$10,406,318.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 7: What is the appropriate amount of accumulated amortization of CIAC to be included in rate base?

KWRU: \$3,898,064.

OPC: The appropriate amount of accumulated amortization of CIAC to be used in setting rates should be \$3,898,064.

COUNTY: The proper amount of Accumulated Amortization of CIAC is \$3,898,064.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 8: What are the used and useful percentages of the Utility's wastewater treatment plant and wastewater collection system?

(Proposed Type II Stipulation)

KWRU: The Wastewater Collection System is 100% Used and Useful; the Wastewater Treatment Plant is 71.5% Used and Useful.

OPC: No position.

COUNTY: No position.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 9: What is the appropriate working capital allowance to be included in rate base?

KWRU: \$2,269,090.

OPC: In addition to the audit adjustments, the following adjustments should be made to reduce the working capital allowance which results in a balance of \$1,222,459.
Reduce Cash to a reasonable balance (\$593,848)
Remove Interest Bearing Deposits (\$281,123)
Adjust the Unamortized portion of Prior Rate Case Expense (\$29,055)
Remove the Unamortized Debt Discount & Exp (\$43,206)
Adjust the unamortized portion of Hurricane Expense (\$29,281)

COUNTY: The proper amount of Working Capital is \$1,222,459.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 10: What is the appropriate rate base? (fall out)

KWRU: \$7,173,187.

OPC: The appropriate amount of rate base to be used in setting rates should be \$5,421,208.

COUNTY: The proper amount of Rate Base is \$5,421,208.

STAFF: Staff has no position pending evidence adduced at hearing.

Cost of Capital

ISSUE 11: What is the appropriate capital structure?

KWRU:

		<u>Weight</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long Term Debt	3,525,749	49.15%	5.39%	2.65%
Common Equity	3,446,398	48.05%	10.39%	4.99%
Deposits	<u>201,041</u>	<u>2.80%</u>	<u>2.00%</u>	<u>.06%</u>
Total	<u>7,173,188</u>			<u>7.70%</u>

OPC: The appropriate capital structure, reconciled to rate base, should reflect \$2,639,789 in long-term debt, \$2,580,378 in Equity, and \$201,041 in customer deposits.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 12: What is the appropriate return on equity?

KWRU: 10.39%, based on the current leverage formula.

OPC: The appropriate return on equity is 10.39%.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 13: What is the appropriate cost of long-term debt?

KWRU: 5.39%, based on the current prime rate.

OPC: The appropriate cost of long-term debt is 4.88%.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 14: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

KWRU: 7.70%.

OPC: The appropriate weighted average cost of capital is 7.40%.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 15: What are the appropriate billing determinants (factored ERCs and gallons) to use to establish test year revenues?

KWRU:

<u>Residential</u>	
Bills	17,475
Gallons	65,498
<u>General Service</u>	
Bills	1,981
Gallons	106,976
<u>Harbor Shores</u>	
Bills	12
Gallons	2,436
<u>Private Lift Stations</u>	
Bills	2,269
Gallons	42,269
<u>Reuse Service</u>	
Bills	16
Gallons	27,074

OPC: Pending further receipt of discovery, the appropriate billing determinants (factored ERCs and gallons) to use to establish test year revenues are those included on Schedule E-2 of the MFRs.

COUNTY: The appropriate number of Bills is 22,601 and the appropriate number of Gallons is 227,719,000. The appropriate number of Reuse Service gallons is 27,074,000 gallons.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 16: What are the appropriate test year revenues?

KWRU: \$2,332,526.

OPC: The appropriate test year revenues are \$2,353,316.

COUNTY: The appropriate test year revenues value, excluding any increases, is approximately \$2,502,000.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 17: What adjustments, if any, should be made to account for the audit findings related to net operating income?

KWRU: None.

OPC: Test year revenues should be increased by \$20,789, Miscellaneous Expense should be reduced by \$2,100.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 18: What is the appropriate amount of salaries and wage expense?

KWRU: \$981,985.

OPC: The appropriate amount of salaries and wage expense for employees and officers is \$848,011.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 19: What is the appropriate amount of employee pensions and benefits expense?

KWRU: \$236,540.

OPC: The appropriate amount of employee pensions & benefits expense is \$141,161.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 20: What is the appropriate amount of sludge hauling, chemicals, and purchased power expenses?

KWRU: The appropriate amount of sludge hauling expense is \$164,848; the appropriate amount of Chemicals is \$231,742; the appropriate amount of purchased power is \$240,106.

OPC: The appropriate amounts of sludge hauling, chemicals, and purchased power expenses are as follows: sludge hauling expense: \$141,325, chemical expense: \$231,742, and purchased power expense: \$218,766.

COUNTY: Based on Monroe County's position that the number of gallons treated is 227,719,000, which is approximately 4.836 percent greater than the Utility's gallons (217,215,000), and based on OPC's recommended values for these expense items, the proper cost values for these items is as follows:

Sludge Hauling Expense \$148,159

Chemical Expense \$242,949

Purchased Power Expense \$229,346

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 21: What is the appropriate amount of materials and supplies expense?

KWRU: \$42,751.

OPC: The appropriate amount of materials and supplies expense is \$49,063.

COUNTY: Agree with OPC as to the amount of these expenses based on the Utility's sales and gallons treated. Monroe County agrees that, if and to the extent that KWRU incurs any truly incremental and variable amounts of these expense items in collecting and treating the additional gallons supported by Monroe County's witnesses, such truly incremental and variable costs are appropriately included in the revenue requirement for determining rates.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 22: What is the appropriate amount of contractual services – engineering expense?

KWRU: \$16,000.

OPC: The appropriate amount of contractual services – engineering expense is \$10,013.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 23: What is the appropriate amount of rental of equipment expense?

KWRU: \$1,479.

OPC: The appropriate amount of rental of equipment expense is zero.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 24: What is the appropriate amount of insurance – worker’s comp expense?

KWRU: \$34,607.

OPC: The appropriate amount of insurance – worker’s comp expense is \$27,234.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 25: What is the appropriate amount of bad debt expense?

KWRU: \$2,443.

OPC: The appropriate amount of bad debt expense is zero.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 26: What is the appropriate amount to be recovered by the Utility for storm restoration expenses due to Hurricane Irma, and over what period should such expenses be recovered?

KWRU: \$273,178, to be recovered over four years.

OPC: The appropriate amount for storm restoration expenses due to Hurricane Irma to be recovered by the Utility is \$177,536. These expenses should be recovered over 5 years.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 27: What is the appropriate amount of miscellaneous expense?

KWRU: \$227,089.

OPC: The appropriate amount of miscellaneous expense is \$185,594.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 28: What are the appropriate amounts of the Utility's pro forma expenses?

KWRU: Operating and Maintenance: \$847,534; Depreciation Expense: \$185,883; Taxes other than Income Tax: \$135,954.

OPC: OPC has no further adjustments to pro forma expenses at this time.

COUNTY: The appropriate amounts of pro forma expenses are those that are supported by a preponderance of competent substantial evidence in KWRU's direct testimony and the Citizens' testimony. The increased expenses claimed by KWRU in its rebuttal testimony are not appropriate for recovery in this case because they should have been supported by KWRU in its case in chief. Monroe County's positions on the various O&M issues, including Issues 18 through 27, 29, 30, and 31, include pro forma expenses.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 29: What is the appropriate amount of rate case expense, and over what period should such expense be recovered?

KWRU: \$443,855, amortized over four years.

OPC: The original requested amount of \$284,400 should be approved pending further discovery. The amount should be amortized over 4 years, for an annual expense of \$71,100. The Utility's requested rate case expense should be fully supported, not duplicative, and reasonable. Adjustments should be made to remove the filing fees from legal fees, and remove all duplicative and excessive legal fees and the costs incurred to submit and address deficiencies in the MFRs. It is not appropriate for the Utility to seek reimbursement from its ratepayers to have two attorneys reviewing the same work product and attending the same meetings. Further, it is the Utility's burden to show that the legal fees incurred are not duplicative. Customers should not pay double the rate case expense to have two attorneys review a discovery response, attend a conference call with staff, or attend the prehearing conference. Accounting fees should be reduced to remove duplicate filing costs to correct MFR deficiencies. All fees should be carefully reviewed to reflect a reasonable level of estimated hours to complete the case.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 30: What, if any, further adjustments should be made to the Utility's O&M expense?

KWRU: None.

OPC: None known at this time.

COUNTY: No further adjustments to the Utility's O&M expenses are known at this time. Any such adjustments will be addressed after the hearing in the various O&M issues listed above.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 31: What is the appropriate amount of O&M expense? (fall out)

KWRU: \$2,567,866.

OPC: The appropriate amount of O&M expense is \$2,092,581.

COUNTY: The appropriate amount of O&M expense is \$2,121,202, which includes estimated incremental O&M costs for Sludge Hauling, Chemicals, and Purchased Power associated with treating the additional gallons estimated by the County's witnesses.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 32: What is the appropriate amount of depreciation expense?

KWRU: \$330,042.

OPC: The appropriate amount of depreciation expense is \$204,058.

COUNTY: The appropriate amount of depreciation expense is \$204,058.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 33: What is the appropriate amount of Taxes Other Than Income?

KWRU: This is a fallout calculation, and the appropriate amount is \$311,467.

OPC: The appropriate amount of Taxes Other Than Income is \$211,926.

COUNTY: The appropriate amount of Taxes Other Than Income is \$211,926.

STAFF: Staff has no position pending evidence adduced at hearing.

Revenue Requirement

ISSUE 34: What is the appropriate revenue requirement?

KWRU: \$3,761,710.

OPC: Based on the MFRs and testimony that KWRU filed in direct, the appropriate revenue requirement is \$2,935,953..

COUNTY: The appropriate revenue requirement is approximately \$3,061,621, including an increase of approximately \$531,000 plus an additional increase of \$28,621 for variable O&M expenses (Sludge Hauling, Chemicals, and Purchased Power) associated with treating additional gallons.

STAFF: Staff has no position pending evidence adduced at hearing.

Rate Structure and Rates

ISSUE 35: What are the appropriate adjustments, if any, to test year billing determinants for setting final rates and charges?

KWRU: No further adjustments to the billing determinants shown in KWRU Position to Issue 15.

OPC: The test year billing determinants should be increased by 1,386 ERC's and 10,540 gallons consistent with the matching principle.

COUNTY: As supported by Monroe County's witnesses, (a) the appropriate adjustment to the number of bills is an increase of 864 bills, yielding a total of 22,601 bills (assuming that Harbor Shores counts as only one bill); and (b) the appropriate adjustment to the number of Gallons is an increase of 10,540,000 Gallons, yielding a total of 227,719,000 Gallons.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 36: What are the appropriate rate structure and rates for wastewater service?

KWRU: The appropriate rate structure and rates are as follows:

Residential Service

BCF All Meter Sizes	\$31.66	\$31.86	\$51.86
Gallonage Charge per 1,000 gallons (10,000 gallon cap)	\$5.25	\$5.28	\$8.59

General Service

5/8" x 3/4 "	\$31.66	\$31.86	\$51.86
1"	\$79.15	\$79.65	\$129.65
1.5"	\$158.30	\$159.30	\$259.29
2"	\$253.28	\$254.88	\$414.87
3"	\$506.56	\$509.76	\$829.74
4"	\$791.50	\$796.50	\$1,296.46
6"	\$1,583.00	\$1,593.00	\$2,592.93
8"	\$2,532.80	\$2,548.80	\$4,148.68
8" Turbo	\$2,849.40	\$2,867.40	\$4,667.27

Gallonage Charge per 1,000 gallons	\$6.30	\$6.33	\$10.30
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Harbor Shores

Base Facility Charge		\$2,198.34	\$3,578.24
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Gallonage Charge per 1,000 gallons 690,000 gallon cap		\$5.28	\$8.59
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Private Lift Station Owners

5/8" x 3/4 "	\$25.33	\$25.49	\$41.49
1"	\$63.32	\$63.72	\$103.72
1.5"	\$126.64	\$127.44	\$207.43
2"	\$202.62	\$203.90	\$331.89
3"	\$405.25	\$407.81	\$663.79
4"	\$633.20	\$637.20	\$1,037.17
6"	\$1,266.40	\$1,274.40	\$2,074.34
8"	\$2,026.24	\$2,039.04	\$3,318.95

Gallonage Charge per 1,000 gallons	\$6.30	\$6.33	\$10.30
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Reuse Service

Gallonage Charge per 1,000 gallons	\$0.93	\$1.34	\$2.18
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OPC: The appropriate rates for wastewater rates should be consistent with the matching principle applicable to Issue 35.

COUNTY: The appropriate rate structure and rates are as follows:

Residential Service

BFC All Meter Sizes	\$31.66	\$31.86	\$38.18
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Gallonage Charge per 1,000 gallons (10,000 gallon cap)	\$5.25	\$5.28	\$6.70
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General Service

5/8" x 3/4 "	\$31.66	\$31.86	\$38.18
1"	\$79.15	\$79.65	\$95.45
1.5"	\$158.30	\$159.30	\$190.90
2"	\$253.28	\$254.88	\$305.44
3"	\$506.56	\$509.76	\$610.88
4"	\$791.50	\$796.50	\$954.50
6"	\$1,583.00	\$1,593.00	\$1,909.00
8"	\$2,532.80	\$2,548.80	\$3,054.40
8" Turbo	\$2,849.40	\$2,867.40	\$3,436.20

Gallonage Charge per 1,000 gallons	\$6.30	\$6.33	\$8.04
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Harbor Shores

Base Facility Charge		\$2,198.34	\$2,634.42
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Gallage Charge per 1,000 gallons			
690,000 gallon cap		\$5.28	\$6.70

Private Lift Station Owners

5/8" x 3/4 "	\$25.33	\$25.49	\$30.55
1"	\$63.32	\$63.72	\$76.36
1.5"	\$126.64	\$127.44	\$152.72
2"	\$202.62	\$203.90	\$244.35
3"	\$405.25	\$407.81	\$488.71
4"	\$633.20	\$637.20	\$763.60
6"	\$1,266.40	\$1,274.40	\$1,527.20
8"	\$2,026.24	\$2,039.04	\$2,443.52

Gallage Charge per 1,000 gallons	\$6.30	\$6.33	\$8.04
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Reuse Service

Gallage Charge per 1,000 gallons	\$0.93	\$1.34	\$2.60
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STAFF: Staff has no position pending evidence adduced at hearing.

Other Issues

ISSUE 37: What is the appropriate rate for KWRU's reuse service?

KWRU: The reuse service, as well as the residential and general service base rate and gallage rates, are all increased on a percentage basis based on the increase in the general revenue requirement determined by the Public Service Commission. The current fallout calculation is \$2.18 per 1,000 gallons.

OPC: The appropriate reuse rate should be cost based and estimated reuse revenues should be taken into account to reduce the revenues to be recovered through residential and general service rates.

COUNTY: The appropriate rate for KWRU's Reuse Service is \$2.60 per 1,000 gallons, which is the average of KWRU's proposed rate and the rate for the lowest-priced block of reuse service charged by the Florida Keys Aqueduct Authority.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 38: What are the appropriate miscellaneous service charges?

KWRU: As no testimony has been proffered with regard to these charges, KWRU contends this matter is not at issue. Notwithstanding the foregoing, the appropriate miscellaneous service charges are based on a cost of living increase pursuant to the Public Service Commission Price Index since the last rate case (2015 - 1.57%, 2016 - 1.29%, 2017 - 1.51%), and are as follows:

	<u>Bus. Hrs.</u>	<u>After Hrs.</u>
Initial Connection Fee	\$ 62.14	\$ 68.72
Normal Reconnection Fee	\$ 68.72	\$ 79.47
Violation Reconnection Fee	Actual Cost	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$ 47.73	\$ 54.31
Bad Check Charge	Pursuant to 68.065 (2), Florida Statutes	

OPC: No increase should be granted as the utility has not provided cost justification as required by Section 367.091(6), F.S., which states that an “application to establish, increase, or change a rate or charge other than the monthly rates for service pursuant to s. 367.081 or service availability charges pursuant to s. 367.101 must be accompanied by a cost justification.” The approved amount should be taken into account to reduce the revenues to be recovered through residential and general service rates.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 39: What is the appropriate late payment charge?

KWRU: As no testimony has been proffered with regard to the appropriate amount of late payment charges, KWRU contends this matter is not at issue. Notwithstanding the foregoing, the appropriate late payment charge is based on a cost of living increase pursuant to the Public Service Commission Price Index since the last rate case (2015 - 1.57%, 2016 - 1.29%, 2017 - 1.51%), \$7.47.

OPC: No increase should be granted as the utility has not provided cost justification as required by Section 367.091(6), F.S., which states that an “application to establish, increase, or change a rate or charge other than the monthly rates for service pursuant to s. 367.081 or service availability charges pursuant to s.

367.101 must be accompanied by a cost justification.” The approved amount should be taken into account to reduce the revenues to be recovered through residential and general service rates.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 40: What is the appropriate Lift Station cleaning charge?

KWRU: As no testimony has been proffered with regard to the appropriate lift station cleaning charge, KWRU contends this matter is not at issue. Notwithstanding the foregoing, the appropriate charge is based on a cost of living increase pursuant to the Public Service Commission Price Index since the last rate case (2015 - 1.57%, 2016 - 1.29%, 2017 - 1.51%), for an appropriate charge of \$1,526.82.

OPC: No increase should be granted as the utility has not provided cost justification as required by Section 367.091(6), F.S., which states that an “application to establish, increase, or change a rate or charge other than the monthly rates for service pursuant to s. 367.081 or service availability charges pursuant to s. 367.101 must be accompanied by a cost justification.” The approved amount should be taken into account to reduce the revenues to be recovered through residential and general service rates.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 41: What are the appropriate initial customer deposits?

KWRU: Two times the average customer bill based upon the final rate determination.

OPC: Agree with County.

COUNTY: For any customer, the appropriate initial customer deposit (collected upon establishment of initial service, not following a disconnection) is one month’s average bill. Deposits following disconnection are appropriately set at two times the average customer bill.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 42: What are the appropriate Allowance for Funds Prudently Invested (AFPI) charges?

KWRU: This is a fall-out calculation based on the NUU adjustment, which is stipulated. The amount will change based on pro forma in the affected accounts.

OPC: The appropriate AFPI charges are those included on Schedule E-10 of the MFRs.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 43: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

KWRU: This is a fall-out calculation based on the allowed rate case expense amount. Rates should be reduced pursuant to Commission Rule 25-30.4705, F.A.C.

OPC: The amount should be a fall out depending on how much rate case expense, if any, the Commission approves to be collected in customer rates.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 44: In determining whether any portion of the interim wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

KWRU: There should be no refund as KWRU's final rates evidenced by any and all testimony far exceed the interim rates.

OPC: The interim rate refund, if any, should be calculated according to Commission policy and rule. This amount should be a fallout.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 45: Should the Utility maintain an asset management and preventative maintenance plan? If so, what action, if any, should be taken?

KWRU: Yes, predicated upon full employment (14 employees).

OPC: Yes. KWRU should focus on improving what it believes is an asset management and preventative maintenance planning process. Doing so will improve service, reduce costs, extend intervals between maintenance outages, and extend the life of valuable assets. Witness Woodcock testified that KWRU should begin applying asset management principles to its operations and planning activities. If properly implemented, it should result in reduced cost and improved levels of service, benefiting the customer and utility alike. Witness Woodcock pointed to some excellent asset management resources available on the website of the US Environmental Protection Agency. The Commission should put KWRU notice that it expects KWRU should take advantage of these resources between the conclusion of this rate case and its next rate case.

COUNTY: Agree with OPC.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 46: **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?**

KWRU: Yes.

OPC: Yes, the Utility should be required to notify the Commission, in writing, that it has adjusted its books, and if the Utility fails to do so, the Commission should order Utility to show cause for its failure to comply with Commission ordered adjustments.

COUNTY: Yes.

STAFF: Staff has no position pending evidence adduced at hearing.

ISSUE 47: **Should this docket be closed?**

KWRU: Yes.

OPC: Yes, pending developments at the hearing.

COUNTY: Yes, unless some reason to keep it open arises during the hearing, this docket should be closed after all opportunities for appeal have lapsed.

STAFF: Staff has no position pending evidence adduced at hearing.

IX. EXHIBIT LIST

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Deborah D. Swain	KWRU	DDS-1	MFRs (except F Schedules)
Christopher A. Johnson	KWRU	CAJ-1	Resume
Christopher A. Johnson	KWRU	CAJ-2	MFRs Volume III – Additional Engineering Information as Filed in the Docket
Christopher A. Johnson	KWRU	CAJ-3	Contract for Rehabilitation of the Original Wastewater Treatment Plants
Christopher A. Johnson	KWRU	CAJ-4	Chemical Analysis Spreadsheet Prepared by CAJ
Christopher A. Johnson	KWRU	CAJ-5	KWRU’s Engineer of Records Sludge Hauling Cost Estimate
Christopher A. Johnson	KWRU	CAJ-6	Cost for Rehabilitation of the Two Older Wastewater Treatment Plans
Christopher A. Johnson	KWRU	CAJ-7	Engineering Invoices for Designing the Rehabilitation of the Original Two Wastewater Plants
Christopher A. Johnson	KWRU	CAJ-8	Engineer Memorandum Regarding the Sole Source
Christopher A. Johnson	KWRU	CAJ-9	Cost for Rehabilitation of the Chlorine Contact Chamber
Christopher A. Johnson	KWRU	CAJ-10	Engineering Invoices for Designing the Rehabilitation of the Original Two Wastewater Plants

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Christopher A. Johnson	KWRU	CAJ-11	Cost for Replacement of Lift Station L2A Which Was Set For Replacement Prior To Hurricane Irma And Was Substantially Damage During Hurricane Irma (Broken and Knocked Down)
Christopher A. Johnson	KWRU	CAJ-12	The Cost Estimate For Replacement of The Generator That Backs Up The Wastewater Treatment Plant And That Was Damaged Beyond Repair During Hurricane Irma
Christopher A. Johnson	KWRU	CAJ-13	Engineering Estimate For Replacement of Generator
Christopher A. Johnson	KWRU	CAJ-14	Replacement Tow Behind
Christopher A. Johnson	KWRU	CAJ-15	Costs For Replacement Of Phone System To Convert From Comcast Cable To AT&T Fiber Due To Comcast's Failure During Hurricane Irma and Its Failure To Operate As Of The Date Of This Testimony
Christopher A. Johnson	KWRU	CAJ-16	Costs For A Temporary Construction Trailer And Rental Office Space Due To KWRU's Office Being Damaged and Deemed Uninhabitable After Hurricane Irma
Christopher A. Johnson	KWRU	CAJ-17	Costs Of Information Technology Services Due To Hurricane Irma
Christopher A. Johnson	KWRU	CAJ-18	Wastewater Plan Main Standby Generator Rental
Christopher A. Johnson	KWRU	CAJ-19	Tow Behind Generator Rental

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Christopher A. Johnson	KWRU	CAJ-20	Hurricane Irma Expenditures
Christopher A. Johnson	KWRU	CAJ-21	Modular Office Installation Agreement
Christopher A. Johnson	KWRU	CAJ-22	Roofing Estimate
Christopher A. Johnson	KWRU	CAJ-23	Employee Salaries
Christopher A. Johnson	KWRU	CAJ-24	Billing Analysis
Frank Seidman	KWRU	FS-1	Curriculum Vitae
Frank Seidman	KWRU	FS-2	F-Schedule
Andrew T. Woodcock	OPC	ATW-1	Resume of Andrew T. Woodcock
Andrew T. Woodcock	OPC	ATW -2	Composite Exhibit
Andrew T. Woodcock	OPC	ATW -3 (revised)	Evoqua Davco FEC Websites
Andrew T. Woodcock	OPC	ATW -4	Three Bids for Wekvia WWTP
Andrew T. Woodcock	OPC	ATW -5	Rehabilitation Project
Andrew T. Woodcock	OPC	ATW -6	EPA's Asset Management resources for Small Drinking Water Systems
Andrew T. Woodcock	OPC	ATW -7	UIF's Operations Management System
Helmuth W. Schultz	OPC	Appendix	Qualifications of Helmuth W. Schultz, III
Helmuth W. Schultz	OPC	HWS-1	OPC Revenue Requirement Exhibit
Helmuth W. Schultz	OPC	HWS-2	Composite Exhibit: Discovery and Other References

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Kevin G. Wilson, P.E.	County	KGW-1	Resumé of Kevin G. Wilson, P.E.
Kevin G. Wilson, P.E.	County	KGW-2	List of Prior Testimonies
Kevin G. Wilson, P.E.	County	KGW-3	Aerial Photo of Stock Island
Kevin G. Wilson, P.E.	County	KGW-4	South Stock Island 2010 Census Information
Kevin G. Wilson, P.E.	County	KGW-5	2010-2014 American Community Survey 5-Year Estimates
Kevin G. Wilson, P.E.	County	KGW-6	2000 Monroe County Sanitary Master Wastewater Plan "Hot Spot" Excerpt, Exh. 6-1
Kevin G. Wilson, P.E.	County	KGW-7	Monroe County Code, Section 20-102
Kevin G. Wilson, P.E.	County	KGW-8	Excerpt from KWRU Stock Island WWTP, Public Utility Appraisal Report, Effective Date: December 31, 2014, Report Date January 2015
Kevin G. Wilson, P.E.	County	KGW-9	Projected Future 2018-2019 Sewer Demands (KWRU)
Kevin G. Wilson, P.E.	County	KGW-10	Actual Usage Data for Stock Island Marina Village and Oceanside Properties, 2016-2018
Jeffery A. Small	County	JAS-1	Estimated Revenue Impact of Using Projected Billing Determinants on Requested Revenues at Proposed Rates
Jeffery A. Small	County	JAS-2	Usage Information provided by Monroe County
J.Terry Deason	County	JTD-1	Curriculum Vita
Marisa Glover	STAFF	MG-1	Auditor's Report - KW Resort Utilities Corporation

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Marisa Glover	STAFF	MG-2	Auditor's Report- KW Resort Utilities Corporation- Revised page
<u>Rebuttal</u>			
Deborah D. Swain	KWRU	DDS-2	Updated MFR Schedules
Deborah D. Swain	KWRU	DDS-3	Schedule Supporting Position on Audit Findings
Deborah D. Swain	KWRU	DDS-4	Table 1-1 from 2014 Audit Report Docket 20150071-SU
Deborah D. Swain	KWRU	DDS-5	Pumping Equipment Asset Detail
Deborah D. Swain	KWRU	DDS-6	Document Supporting Debt Rate
Deborah D. Swain	KWRU	DDS-7	Schedules of Interest on FPSC Escrow Account
Deborah D. Swain	KWRU	DDS-8	List of Adjustments to MFRs
Christopher A. Johnson	KWRU	CAJ-25	Wharton Smith Forcemain Bid
Christopher A. Johnson	KWRU	CAJ-26	Correspondence with Gregory Williams Re: Lift Station L2A Bid
Christopher A. Johnson	KWRU	CAJ-27	Lift Station Panel Proposal
Christopher A. Johnson	KWRU	CAJ-28	Work Directive 2018-02
Christopher A. Johnson	KWRU	CAJ-29	Davits and Clarifier Drive Quote
Christopher A. Johnson	KWRU	CAJ-30	Generator Pad Quotation and Invoice
Christopher A. Johnson	KWRU	CAJ-31	Portable Generator Invoice
Christopher A. Johnson	KWRU	CAJ-32	KWRU Modular Office Design
Christopher A. Johnson	KWRU	CAJ-33	Office Demolition Bids

<u>Witness</u>	<u>Proffered By</u>		<u>Description</u>
Christopher A. Johnson	KWRU	CAJ-34	Modular Office Installation Contract
Christopher A. Johnson	KWRU	CAJ-35	KWRU Operating Permit
Christopher A. Johnson	KWRU	CAJ-36	IT Solutions Letter re: Redundancy
Christopher A. Johnson	KWRU	CAJ-37	Officer Compensation Payroll Reports
Christopher A. Johnson	KWRU	CAJ-38	Communications Costs and Correspondence
Christopher A. Johnson	KWRU	CAJ-39	Service Truck Invoices and Costs
Christopher A. Johnson	KWRU	CAJ-40	Power documentation and analysis
Christopher A. Johnson	KWRU	CAJ-41	ERC Calculations
Edward R. Castle	KWRU	ERC-1	Resume
Edward R. Castle	KWRU	ERC-2	Evoqua Sole Source Letter
Robert C. Pabian	KWRU	RCP-1	Modular Office Installation Agreement
Robert C. Pabian	KWRU	RCP-2	Prior Modular Office Developments

Parties and staff reserve the right to identify additional exhibits for the purpose of cross-examination.

X. PROPOSED STIPULATIONS

There is a proposed Type II stipulation on Issue 8.

XI. PENDING MOTIONS

Motion Document No.	Date	Description
03292-2018	4/27/2018	K W Resort Utilities Corp.'s Motion to Strike Portions of Testimony of OPC Witness Helmuth W. Schultz

XII. PENDING CONFIDENTIALITY MATTERS

There are no pending confidentiality matters at this time.

XIII. POST-HEARING PROCEDURES

If no bench decision is made, each party shall file a post-hearing statement of issues and positions. A summary of each position of no more than 75 words, set off with asterisks, shall be included in that statement. If a party's position has not changed since the issuance of this Prehearing Order, the post-hearing statement may simply restate the prehearing position; however, if the prehearing position is longer than 75 words, it must be reduced to no more than 75 words. If a party fails to file a post-hearing statement, that party shall have waived all issues and may be dismissed from the proceeding.

Pursuant to Rule 28-106.215, F.A.C., a party's proposed findings of fact and conclusions of law, if any, statement of issues and positions, and brief, shall together total no more than 45 pages and shall be filed at the same time.

XIV. RULINGS

Opening statements, if any, shall not exceed 5 minutes per party.

The Office of Public Counsel's and Monroe County's Joint Motion to Strike Portions of K W Resort Utilities Corp.'s Rebuttal Testimony and Exhibits, or in the Alternative, Motion to Reschedule the Technical Hearing and for Leave to File Surrebuttal Testimony (Joint Motion to Strike) and The Office of Public Counsel's and Monroe County's Joint Motion to Compel K W Resort Utilities Corp. to Correct its Continually Changing Minimum Filing Requirements and to Continue the Hearing (Joint Motion to Compel) are hereby denied in part. Having read the parties' pleadings, and having granted and heard the parties' oral argument on these two motions, I am unpersuaded that the intervenors have not had an adequate opportunity to analyze and conduct discovery upon the updated cost information provided by KWRU. I am therefore denying the intervenors' request to strike testimony, compel MFRs, and requests to continue the Hearing.

However, KWRU stated at the Prehearing Conference that it had no objection to allowing the intervenors the opportunity to file surrebuttal. Since it does not appear that filing surrebuttal will prejudice the parties or staff, I will therefore grant this portion of the Joint Motions. The Office of Public Counsel and Monroe County shall have until close of business, 5:00 p.m., Friday May 4, 2018, to file surrebuttal testimony. The scope of the surrebuttal testimony shall be limited to the items identified within the chart provided on pages 11 and 12 of the Joint Motion to Strike and the additional correction to the annualization of depreciation discussed in paragraph 10, page 3 of the Joint Motion to Compel.

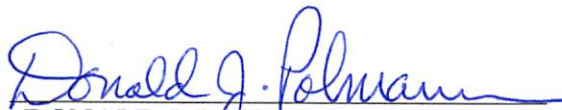
Intervenor direct and surrebuttal testimony will be taken up together at the Hearing.

Prior to the issuance of this Order, Monroe County, also speaking on behalf of the Office of Public Counsel, withdrew its two contested issues. Therefore, no ruling on Contested Issues A or B is necessary. Accordingly, those issues have been removed from the official list of issues within this Order.

It is therefore,

ORDERED by Commissioner Donald J. Polmann, as Prehearing Officer, that this Prehearing Order shall govern the conduct of these proceedings as set forth above unless modified by the Commission.

By ORDER of Commissioner Donald J. Polmann, as Prehearing Officer, this 10th day of May, 2018.



DONALD J. POLMANN, Ph.D., P.E.
Commissioner and Prehearing Officer
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

KRM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.