

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Increase)
In Wastewater Rates in Monroe) DOCKET NO. 20170141-SU
County By K W Resort Utilities)
Corp.) FILED: June 6, 2018
_____)

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

Monroe County, Florida (the "County")¹, pursuant to the Order Establishing Procedure in this docket, Order PSC-2018-0039-PCO-SU, issued January 12, 2018, and the Prehearing Order in this docket, Order PSC-2018-0242-PHO-SU issued May 10, 2018, hereby submits the County's Post-hearing Statement of Issues and Positions and Brief.

SUMMARY

K W Resort Utilities Corp. ("KWRU" or the "Utility") is required by the provisions of Chapter 367, Florida Statutes, and Chapter 25-30, Florida Administrative Code ("F.A.C.") to provide safe, efficient, and sufficient service to all customers within its certificated service area on Stock Island, Florida, at fair, just, and reasonable rates, charges, and conditions of service. In this

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

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. The statutory requirement to provide "efficient" service must be interpreted to mean that KWRU must fulfill its statutory obligation to serve at the lowest possible total cost.

Barely one year ago, the Commission granted KWRU a rate increase of nearly 60 percent - 58.7 percent to be precise - which was less than half the amount that KWRU sought in that case. In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp., Docket No. PSC-20150071-SU, Order 2017-0091-FOF-SU at 65. ("Order No. 2017-0091") KWRU is back again, this time seeking another rate increase of nearly 60 percent - approximately \$1.35 Million per year, EXH 2, MFR Schedule E-2 - again based on excessive and unsupported requests for additional capital items and additional operating and maintenance ("O&M") expenses. Among KWRU's defective plant requests are the costs of a new office building, pursuant to a contract in which the contractor is plainly in default; costs of the office building and other plant items that were not prudently procured through competitive bidding; a telephone system that is neither necessary nor required by either permit or rule, despite KWRU's attempts to characterize it as such; and others. KWRU's excessive O&M requests include excessive pension costs, salary and wage costs, rate case

expense, worker's comp insurance expense, storm restoration expenses, and miscellaneous expense.

The populace of KWRU's service area, Stock Island, is relatively disadvantaged in economic terms, yet KWRU seeks to impose yet another 60 percent increase (59.2 percent to be precise) on top of the 58.7 percent increase that took effect barely a year ago. Even KWRU's own witness, Deborah Swain, recognizes that these disadvantaged customers could experience these increases as rate shock. See TR 102.

The record of this case demonstrates one key theme: At every opportunity, KWRU has inflated its costs to increase its rates, and at every opportunity, KWRU has refused to recognize that there are significant offsetting factors that would, in fact, appropriately reduce the impact of any rate increase. Among these offsetting factors are the additional sales of wastewater service that KWRU will realize when the new rates are in effect: the Commission properly rejected KWRU's identical ploy in the case decided last year, applying the Matching Principle supported by former Commission Chairman Terry Deason to require proper matching of costs incurred to sales made during the time that rates will be in effect. Another key factor that KWRU refuses to recognize is the additional \$566,134.29 of Contributions in Aid of Construction ("CIAC") that it will receive from the County for additional work pursuant to a contract executed by both parties in March 2018

(including \$200,000 paid in April 2018). See EXH 119 & EXH 120. Witness Swain agreed that this would be booked as CIAC. TR 836. Of course this substantial CIAC will reduce KWRU's rate base, but KWRU wants to ignore it.

The testimony of the Citizens' witnesses and the County's witnesses establishes that KWRU's requests are excessive and that KWRU can fulfill its duty of providing safe, efficient, and sufficient service with far less of an increase. Removing or adjusting excessive capital costs and O&M costs go a long way toward correcting KWRU's excessive requests, and increasing billing determinants (sales units) to match the time that new rates will be in effect (roughly September 2018 - August 2019) by a modest 4.2 percent, as advocated by the County's Witness Kevin Wilson, P.E., will further temper any increase. TR 455, 464. Recognizing the additional \$566,134 of CIAC will further reduce any increases. Even so, the Commission should well note that Monroe County is not seeking to avoid any increase at all: in fact, Monroe County agrees that using the allowed cost values recommended by OPC, and using Monroe County's recommended adjustments to billing determinants and other rates, results in an increase of \$540,714, a 21.5 percent increase from current rates, to support KWRU's mission to provide safe, efficient, and sufficient service at the lowest possible cost.

Further, 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 2018 and 2019, i.e., for the first year in which the new rates will be in effect, will pay the costs to serve them when they receive service.

Like the KWRU rate case decided in 2017 and other PSC cases, this case presents significant issues of achieving the proper matching of costs and rates during the time that new rates will be in effect. See, e.g., In Re: Burkim Enterprises, Inc., Docket No. 20010396-WS, Order No. PSC-2001-2511-PAA-WS (Dec. 24, 2001); In Re: Application of Martin Downs Utilities, Inc. for an Increase in Water and Sewer Rates to Its Customers in Martin County, Florida, Docket No. 840315-WS, Order No. 15725 (Feb. 21, 1986). This Matching Principle is powerfully invoked in this case because the Utility's filing is based on what it asserts is a 2016-17 "historic" test year (July 1, 2016 through June 30, 2017) with certain "pro forma" adjustments to rate base and expenses, selectively chosen by KWRU for its own benefit, 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. In reality, of course, KWRU's purported "historic" test year is simply a baseline to which KWRU wants to add millions of dollars of capital costs and hundreds of thousands of dollars of O&M costs that it expects to incur after the end of its so-called "historic" test year. The Utility proposes "pro forma" additions to rate base of approximately \$3.13 million (Swain, TR 87), and "pro forma" additions of \$581,217 to Operating & Maintenance expenses outside its "historic" test year. Swain, TR 87-88; EXH 2, MFR Schedule B-3. Combined, these self-selected and self-serving additions of costs outside its self-selected and self-serving test year, including \$581,217 of O&M costs plus the return and depreciation on the additional \$3.13 million of plant in service, account for a substantial majority of KWRU's requested increase.

However, the rates to be paid by KWRU's customers following this case, 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, TR 837, more than a full year after the end of KWRU's proposed "historic" test year. Even so, KWRU wants to ignore the additional sales that it will realize when the new rates are in effect. In other words, KWRU self-servingly wants to inflate its rates based on costs incurred after its self-servingly chosen "historic" test year, and at the same time, KWRU self-servingly wants to inflate

its rates even further by using lower sales units, based on outdated usage levels, to compute the rates. KWRU also wants to ignore, and wants the Commission to ignore, the critical fact that all of the Utility's expenditures in 2018 and 2019, i.e., the first year that the new rates will be in effect, will serve the customers using the Utility's service during that time. Swain, TR 837.

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. KWRU wishes to have its revenue requirements based on future costs - several million dollars in additional rate base and hundreds of thousands of dollars in additional O&M expenses incurred beyond the end of its "historic" test year - while ignoring additional sales made and revenues and additional CIAC collected in the same future periods; this would result in rates that are unfair, unjust, and unreasonable because they would be artificially inflated - for KWRU's benefit -

by dividing new costs incurred outside the test year by old sales cut off as of June 30, 2017. 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, to provide an allowed rate base of \$4,880,082. The Commission should also adjust the Utility's requested O&M expenses as recommended by OPC's witness Helmuth Schultz and as adjusted by Monroe County to account for incremental expenses associated with treating additional gallons of wastewater, to allow a total of \$2,118,409 per year in O&M expenses.

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, and thus in unfair, unjust, and unreasonable rates.

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. The correct billing units include approximately 4.2 percent more gallons

treated - 226,439,000 gallons vs. KWRU's proposed 217,179,000, and an additional 864 bills (22,601 vs. 21,737 bills, EXH 49). The Utility's proposed Reuse Service gallons show another example of self-serving manipulation: where KWRU experienced an increase from more than 37 million gallons of Reuse Service sold in 2015 to more than 46 million gallons of Reuse Service sold in 2016, KWRU now would have the Commission believe that its Reuse Service would decline by 40 percent, even though no Reuse customers have left the system and even though a new Reuse customer, the County's Bernstein Park, is on-line. This ploy must be rejected and corrected as well.

The net effect of Monroe County's recommended adjustments to rate base, O&M expenses, and billing units will still provide KWRU with a total revenue increase of \$540,714, a 21.5 percent increase from current revenues, which will allow KWRU to fulfill its duty of providing safe, efficient, and sufficient service at the lowest reasonable cost.

With regard to the fundamental ratemaking policy that costs incurred and units of sales should be matched to achieve fair, just, and reasonable rates - recognized by the Commission as the Matching Principle - Monroe County relies on the testimony of former Commission Chairman J. Terry Deason. The Commission followed this Matching Principle in KWRU's last case, stating:

"This Commission recognizes the need to match identifiable customer growth and sales with known and reasonable growth in the utility's investment and expenses." Order No. 2017-0091 at 66.

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 Order No. 2017-0091, 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 at 65. (The Commission should also note KWRU's apparent inability to follow its

own tariffs, as evidenced by the Notice or Apparent Violation dated May 17, 2018, PSC Document No. 03728-2018, served on KWRU in Docket No. 20170086-SU, In re: Investigation into the Billing Practices of K W Resort Utilities Corp. in Monroe County.) 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.

Without belaboring the points made by the Citizens and Monroe County in earlier motions and through the County's objections at hearing (see, e.g., TR 39, 119, 135), Monroe County must state the following for the record. First, KWRU did not meet its burden of proof in this case.² Specifically, KWRU should not have been allowed to provide supplemental direct testimony posing as rebuttal testimony, and Monroe County believes that allowing that testimony to be admitted was error. Further, allowing KWRU to supplement the record with discovery responses served out of time - in violation of the Commission's Order Establishing Procedure - was error. Particularly in light of the tight time frames compounding the late time of filing the supplemental direct testimony in violation of the Order Establishing Procedure, allowing KWRU to thus supplement the record was prejudicial to the Citizens and the County, and admitting the unauthorized supplemental direct testimony

²KWRU has the burden of demonstrating that it is entitled to its requested rate increase. Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1190 (Fla. 1982).

masquerading as rebuttal and the late-served discovery responses violated the rules that the Commission itself prescribed for this hearing. Both violated the due process rights of the Citizens - i.e., KWRU's customers - and Monroe County, KWRU's largest customer.

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

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

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

Monroe County: ***Although not perfect, as evidenced by two releases of untreated wastewater in April and May 2018, the quality of wastewater treatment by the Utility's wastewater treatment facilities appears to be adequate. Based on testimony by customers at the customer service hearings, the quality of the Utility's customer service and customer relations appears to be less than satisfactory.***

Discussion

Although the Utility failed to file the current Florida Department of Environmental Protection permit for its wastewater treatment plant with its case (see Johnson, TR 1023, EXH 137), rather filing a several-months-outdated permit with the rebuttal testimony of Christopher Johnson, it appears that its quality of wastewater treatment is adequate. KWRU recently had a release of

untreated wastewater on May 6, 2018 (EXH 139), and an unintentional release of reuse water, due to a line break, on April 2, 2018 (EXH 138).

The nine customers who testified at the customer service hearings on May 15 and 16, 2018 generally expressed dissatisfaction with various aspects of KWRU's customer service and customer relations, as well as opposing the proposed rate increase. Customer testimony included observations of unattended lift station alarms and a KWRU employee sleeping in a Utility truck, apparently on company time. KWRU refused to provide service to 24 properties that required additional infrastructure to connect, including Mr. Birrell, Mr. Mongelli, and Mr. Quintana, in violation of its statutory duty. Customer Service Hearing ("CSH") TR 40-47, 67, 69. In fact, absent Monroe County paying \$566,134 to KWRU to connect these customers, KWRU took the position that it would refuse to serve them. Other customers complained of billing issues, including difficult-to-understand bills, alleged improper late charges, and refusal to accept credit card payments. EXH 126. Another customer testified of being treated disrespectfully by KWRU's office manager when she attempted to enter the Utility's office to discuss billing issues. CSH TR 26, 28.

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?

Monroe County: *No. Truly competitive bidding will produce lower costs for the Utility and for its customers. KWRU's failure to pursue true competitive bidding for numerous capital items was imprudent, and the Commission should disallow 11.7% of the costs for those items from KWRU's rate base.*

Discussion

KWRU did not obtain true competitive bids for the L2A Lift Station replacement, the wastewater treatment plant rehabilitation, or the modular office replacement capital projects. TR 144, 167, 195, 337-38, 340, 346. True competitive bidding will produce lower costs for any utility or market participant, and would have protected KWRU and its customers from overpaying for these assets in this case. Woodcock, TR 335, 337. KWRU's failure to pursue true competitive bidding was imprudent and thus a disservice to its customers. TR 335-38. Following the recommendations of the Citizens' Witness Andrew Woodcock, the Commission should disallow 11.7% of KWRU's claimed rate base amounts for the above-mentioned items. TR 344-46

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

Monroe County: *Agree with OPC that no adjustments to rate base are necessitated by the audit findings.*

Discussion

Monroe County agrees with OPC that no adjustments to rate base are necessitated by the audit findings.

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

Monroe County: *The proper amount of Plant in Service to be included in calculating KWRU's rate base is \$18,715,436.*

Discussion

Monroe County agrees with the Citizens' analyses and conclusions that plant in service should be reduced by \$1,172,360 to reflect reductions in Plant in Service for pro forma projects including the Wastewater Treatment Plant rehabilitation project, the Lift Station L2A project, the Modular Office replacement project, and the Utility's proposed new telephone system. These adjustments yield total plant in service of \$18,715,436.

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

Monroe County: *The proper amount of Accumulated Depreciation to be including in calculating KWRU's rate base is \$5,193,207.*

Discussion

The proper amount of Accumulated Depreciation to be including in calculating KWRU's rate base is \$5,193,207.

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

Monroe County: *The proper amount of CIAC to be included in calculating KWRU's rate base is \$10,972,452.*

Discussion

The proper amount of CIAC to be included in calculating KWRU's rate base is \$10,972,452, which includes KWRU's requested CIAC of

\$10,406,318 (EXH 2, DDS-1, page 4 of 85), plus \$566,134.29 that KWRU will receive from the County pursuant to an executed agreement (EXH 119; see Swain, TR 836; see also EXH 120) by the County to pay that amount to KWRU to finance the connection of customers in KWRU's service territory.

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

Monroe County: *The proper amount of Accumulated Amortization of CIAC to be included in calculating KWRU's rate base is \$3,923,226.*

Discussion

The proper amount of Accumulated Amortization of CIAC to be included in calculating KWRU's rate base is \$3,923,226.

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

(Type II Stipulation)

Monroe County: *Monroe County takes no position on the used and useful percentages to be used in calculating KWRU's rate base, and will use KWRU's proposed values for purposes of calculating rate base in developing its recommended revenue requirements and rates.*

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

Monroe County: *The proper amount of Working Capital to be included in calculating KWRU's rate base is \$935,853.*

Discussion

The proper amount of Working Capital to be included in

calculating KWRU's rate base is \$935,853. KWRU's requested amount of Working Capital, especially its requested amount of cash working capital, is excessive. Schultz, TR 583-86. KWRU's average monthly operating revenues are approximately \$177,000 per month, as compared to its average monthly expenditures of \$133,510. Johnson, TR 1000-01. From this, it is apparent that KWRU has sufficient funds available to it to finance its operating needs and that it does not need anything like \$911,826 in cash working capital.

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

Monroe County: *The proper amount of Rate Base is \$4,880,082.*

Discussion

This is a fall-out issue. Monroe County agrees with the Citizens' adjustments to KWRU's rate base, which result in total rate base of \$4,880,082.

Issue 11: **What is the appropriate capital structure?**

Monroe County: *The appropriate capital structure consists of 49.43 percent common equity and 50.57 percent long-term debt based on investor sources of capital before reconciliation to rate base.*

Issue 12: **What is the appropriate return on equity?**

Monroe County: *The appropriate return on common equity is 10.39 percent, based on the Commission's current leverage formula.*

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

Monroe County: *The appropriate cost rate for long-term debt is 4.88 percent.*

Discussion

Monroe County agrees with the Citizens' analysis of the evidence relating to KWRU's cost of long-term debt and thus agrees that the appropriate long-term debt cost is the 4.88 percent rate originally requested by KWRU.

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

Monroe County: ***The appropriate weighted average cost of capital is 7.37 percent.***

Discussion

This is a fall-out issue. Monroe County agrees with the other parties on the capital structure and cost of equity pursuant to the leverage formula, and agrees with the Citizens' analysis and conclusions regarding the cost of long-term debt, resulting in the weighted average cost of capital of 7.37 percent.

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

Monroe County: ***The appropriate number of Bills for wastewater service is 22,601 Bills and the appropriate number of Gallons is 226,439,000. The appropriate number of Reuse Service gallons is at least 37,252,666 gallons, rounded to 37,253,000 gallons.***

Discussion

In order to ensure that rates are fair, just, and equitable, the Commission must follow the Matching Principle, which is that costs incurred and charged for must be matched to sales of

wastewater service during the time that rates will be in effect. Deason, TR 403-07. Failure to follow this principle will result in rates that are not fair and just. Deason, TR 404. The Utility wants to include hundreds of thousands of dollars of costs that it will incur after its purported "historic" test year, including significant costs that it has yet to incur, but then wants to ignore the fact that there will be increased sales during the period when new rates will be in effect. This obviously has the effect of increasing the utility's rates, by dividing higher costs by lower sales units, and this is unfair and unjust. Deason, TR 403-04. The Commission should reject this ploy and match costs and sales in order to provide for fair, just, and equitable rates.

The appropriate number of bills is 22,601, a modest increase from KWRU's proposed value of 21,737. See EXH 49. The appropriate number of gallons is 226,439,000, a modest 4.26 percent increase from KWRU's proposed value of 217,179,000 gallons. EXH 2, MFR Schedule E-2; EXH 49. The appropriate gallons of Reuse Service is **at least** 37,253,000 gallons.

The County's Witness Kevin Wilson, P.E., presented credible evidence of specific additional sales from specific additional developments that support including an additional 9.26 million gallons per year of billed and charged for gallons of wastewater service, Wilson, TR 455, 464, 486, EXH 47 & EXH 48, and also 864 additional Base Facility Charges that will be collected. Small, EXH

49. Witness Wilson's gallonage estimates were based on accepted standards, including 167 gallons per day per ERC, the same value that KWRU used when it applied for the permit to expand its wastewater treatment plant. EXH 141 at page 27. Witness Wilson's specific estimates would increase KWRU's total gallons for the time period when rates will be in effect by a modest 4.26 percent.

The Commission should note that this is conservative when compared to KWRU's own estimated growth in ERCs presented in its last filed Annual Report, which was its 2016 Annual Report, in which KWRU projected ERC growth of 7.0 percent, or 231 ERCs per year. EXH 110. The Commission should further note that Witness Wilson's projected additional gallons are conservative when compared to KWRU's projected growth used for calculating Used & Useful percentages: in Exhibit 28, MFR Schedules F-8 and F-10, KWRU's Witness Frank Seidman supported using 5 percent annual growth in ERCs. Not surprisingly, this repeats KWRU's theme of overstating values when they will increase its rates and, in the next breath, understating the same values when such understatement will have the effect of increasing its rates. The Commission should reject this self-serving inconsistency.

The reason Monroe County asserts that the Reuse Service gallons should be at least 37,253,000 gallons is that KWRU's asserted level of Reuse Service sales is simply not credible. KWRU provided 37,875,000 gallons of Reuse Service in 2015, EXH 109,

which increased to 47,179,000 gallons of Reuse Service in 2016, EXH 110; the 2016 Annual Report is the last annual report filed by KWRU. Yet, despite this significant year-over-year growth from 2015 to 2016, and further despite the facts that the two Reuse customers in 2015 and 2016 are still taking service and that there is now a new Reuse Service customer, the County's Bernstein Park, **KWRU asks the Commission to believe that Reuse Service will decline by 40 percent** from Calendar Year 2016 to the overlapping 12-month period, July 2016 through June 2017. (The decline from 46,179,000 gallons to 27,704,000 gallons, EXH 2, MFR Schedule E-2, is 18,475,000 gallons, which is 40.007 percent.)

KWRU's assertion that there would be any decrease from 2016 levels **at all** is simply not credible, and there is no plausible explanation for the significant positive growth trend observed from 2015 to 2016 to reverse so dramatically, if at all, given that no Reuse Service customers have ceased taking service and that a new Reuse customer has come on line. This is simply not credible, and would have the obvious result of increasing the Utility's revenues and earnings when it sells more Reuse Service than used in setting rates for basic wastewater service.

To correct for this injustice, and to get the rates and revenues right for the period in which new rates will be in effect, Monroe County suggests that the Commission should use a minimum of the average of the three values - KWRU's actual Reuse Service

gallons for 2015 and 2016 and Witness Swain's low-ball figure - as the gallonage billing determinants for Reuse Service in setting rates in this case. That value is 37,253,000 gallons. ((27,704,000 + 37,875,009 + 46,179,000) divided by 3 = 37,253,000 gallons, rounded.)

Issue 16: What is the appropriate test year revenues?

Monroe County: *Consistent with KWRU's asserted "historic" test year billing determinants, test year revenues are \$2,353,316. Consistent with the billing determinants that are likely to be realized in the first year that new rates are effective, the adjusted revenues are \$2,513,596.*

Discussion

The "historic" test year revenues are, or were, \$2,353,316. To evaluate the impact of new rates in generating revenues for the relevant time period to ensure rate equity via the Matching Principle, the revenues for the first year that new rates will be in effect are \$2,513,596. This includes the additional sales revenues of \$172,704 (EXH 50) from the 9.26 million additional gallons treated as shown by Witness Kevin Wilson's testimony (TR 455, 464, 486) and Exhibits 47 and 48. The ultimate revenue requirement recommended by Monroe County (and at least in large part by the Citizens) is \$3,054,310, which includes the additional gallons treated and charged for as well as additional BFCs collected, and which also includes \$25,828 in additional allowed revenue requirements for the increased O&M expenses for Sludge

Removal Expense, Purchased Power, and Chemicals. These figures would yield a total revenue/rate increase of \$540,714 (\$3,054,310 - \$2,513,596 = \$540,714).

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

Monroe County: *To comport with the audit findings, test year revenues should be increased by \$10,807, Sludge Removal Expense should be increased by \$23,523, Purchased Power should be decreased by \$11,521, Materials & Supplies expense should be decreased by \$11,780, and Miscellaneous Expense should be reduced by \$2,100, plus \$305.*

Discussion

Monroe County agrees with the Citizens that, to comport with the audit findings, test year revenues should be increased by \$10,807, Sludge Removal Expense should be increased by \$23,523, Purchased Power should be decreased by \$11,521, Materials & Supplies expense should be decreased by \$11,780, and Miscellaneous Expense should be reduced by \$2,100, plus \$305.

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

Monroe County: *The appropriate amount of salaries and wage expense is \$839,613.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of salaries and wage expense is \$839,613.

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

Monroe County: *The appropriate amount of employee pensions and benefits expense is \$167,056.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of employee pensions and benefits expense is \$167,056.

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

Monroe County: *The appropriate amounts for these expense items are: Sludge Removal Expense - \$196,397, Chemicals - \$241,614, and Purchased Power - \$194,116, for a total of \$632,127. This includes additional amounts for the incremental variable costs that KWRU would incur to treat the additional gallons supported by Monroe County's witnesses.*

Discussion

The amounts of these key O&M cost items were adjusted pursuant to audit findings, as per Issue 17. Additionally, to provide for fair cost recognition of these variable cost items in setting KWRU's revenue requirements, Monroe County recommends that an additional 4.26 percent be allowed for each of these variable O&M expense items. The resulting values are based on increasing the values recommended by OPC for Sludge Removal Expense, Chemicals, and Purchased Power by 4.26 percent, which is the increase in gallons treated per the testimony of County Witnesses Wilson and Small, see EXHs 47, 48, and 49. The resulting amounts are Sludge Removal

Expense - \$196,397, Chemicals - \$241,614, and Purchased Power - \$194,116, for a total of \$632,127 for these three O&M expense items.

While KWRU attempted to dodge the validity of this adjustment to its O&M expenses, KWRU's Witness Johnson agreed that, while he couldn't say exactly what costs would change, these three cost items would change and that these three accounts are the first three categories he would have thought of to see such cost changes. TR 1022. Further, KWRU's Witness Swain agreed that these three O&M components would change but could not say whether any other specific O&M would change. TR 90-92. Similarly, Witness Swain agreed that these three O&M cost components would change with additional gallons treated but was not able to identify any other O&M cost that would actually change with a 4.26 percent increase in gallons treated. TR 90-92.

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

Monroe County: *The appropriate amount of materials and supplies expense is \$76,173.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of materials and supplies expense is \$76,173.

Issue 22: **What is the appropriate amount of contractual services - engineering expense?**

Monroe County: *The appropriate amount of contractual services - engineering expense is \$11,438.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of contractual service - engineering expense is \$11,438.

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

Monroe County: ***The appropriate amount of rental equipment expense is zero.***

Discussion

Monroe County agrees with the Citizens that the appropriate amount of rental equipment O&M expense is zero.

Issue 24: **What is the appropriate amount of insurance - worker's comp expense?**

Monroe County: ***The appropriate amount of allowable expense for worker's comp insurance is \$29,386.***

Discussion

Monroe County agrees with the Citizens that the appropriate amount of insurance - worker's comp expense is \$29,386.

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

Monroe County: ***The appropriate amount of bad debt expense is zero.***

Discussion

Monroe County agrees with the Citizens that the appropriate amount of bad debt expense is zero.

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?**

Monroe County: *The appropriate amount to be recovered for storm restoration expenses due to Hurricane Irma is \$177,536. This amount should be amortized and recovered over five years.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of storm restoration expenses due to Hurricane Irma is \$177,536, and that these expenses should be amortized over five years. KWRU initially proposed a five-year amortization period, and then changed to a four-year amortization period; this was obviously a discretionary decision, not based on any rigorous analysis of hurricane frequency, see Swain, TR 845, Johnson, 1017, 1019-20, and the Commission should apply the five-year amortization period to reduce the rate impacts on the customers on Stock Island.

Issue 27: **What is the appropriate amount of miscellaneous expense?**

Monroe County: *The appropriate amount of miscellaneous expense is \$184,334.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of miscellaneous expense is \$184,334.

Issue 28: **What is the appropriate amounts of the Utility's pro forma expenses?**

Monroe County: *The appropriate amounts of pro forma expenses are addressed within the foregoing issues addressing the individual O&M expense items. 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.*

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

Monroe County: ***The appropriate amount of rate case expense is \$258,244, which should be recovered over five years.***

Discussion

Monroe County agrees with the Citizens that the appropriate amount of rate case expense is \$258,244, and that this amount should be amortized over five years to minimize customer impacts.

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

Monroe County: ***Advertising expense should be reduced by \$4,437.***

Discussion

Monroe County agrees with the Citizens that advertising expense should be reduced by \$4,437.

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

Monroe County: ***The appropriate amount of total O&M expense to be used in setting KWRU's rates is \$2,118,409, which includes adjustments per audit findings and adjustments recommended by the Citizens' witnesses, and which also includes an additional \$25,828 of Sludge Removal, Purchased Power, and Chemicals expenses that would be incurred to treat the additional 9.26 million gallons to be served as demonstrated by Monroe County's Witness Kevin Wilson, P.E.***

Discussion

This is a fall-out issue from the foregoing Issues 17-30. The

appropriate amount of total O&M expense to be allowed in setting KWRU's rates is the amount recommended by the Citizens' witnesses, including the adjustments identified in the PSC Staff audit of KWRU's books, plus the additional \$25,828 per year in Sludge Removal Expense, Chemicals, and Purchased Power expense recommended by Monroe County to compensate KWRU for treating the additional gallons demonstrated by Witness Wilson. See Monroe County's discussion of Issue 20 above. These components yield total allowed O&M expense of \$2,118,409.

Issue 32: **What is the appropriate amount of depreciation expense?**

Monroe County: *The appropriate amount of depreciation expense is \$251,816.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of depreciation expense is \$251,816.

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

Monroe County: *The appropriate amount of Taxes Other Than Income Taxes is \$221,979.*

Discussion

Monroe County agrees with the Citizens that the appropriate amount of Taxes Other Than Income Taxes is \$221,979.

REVENUE REQUIREMENT

Issue 34: **What is the appropriate revenue requirement?**

Monroe County: *The appropriate revenue requirement is \$3,054,310, including an increase of \$540,714.*

Discussion

Monroe County recommends that the Commission grant KWRU a total revenue requirement of \$3,054,310, which represents a generous and fair total revenue increase of 21.5 percent. This is based on the Citizens' positions on most of the accounting issues, plus the additional allowance for Sludge Removal Expense, Chemicals, and Purchase Power expenses of \$25,828 recommended by Monroe County to compensate KWRU for the incremental costs of treating the additional gallons of wastewater service that it will realize during the first year that KWRU's new rates will be in effect.

RATE STRUCTURE AND RATES

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

Monroe County: *The appropriate number of bills includes an increase of 864 bills, yielding a total of 22,601 bills for wastewater service. The appropriate number of Gallons of wastewater service is 226,429,000 Gallons, including an increase of 9,260,000 Gallons. The appropriate number of Gallons of Reuse Service is at least 37,253,000 Gallons, including an adjustment of at least 9,549,000 gallons.*

Discussion

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 for wastewater service (assuming that Harbor Shores counts as only one bill) (EXH 49); (b) the appropriate adjustment to the number of Gallons is an increase of 9,260,000 Gallons, yielding a total of 226,439,000 Gallons (EXHs 47 & 48); and (c) the appropriate adjustment to Reuse Service gallons is at least 9,549,000 gallons, yielding a total of at least 37,253,000 gallons of Reuse Service to be used in calculating KWRU's rates set by the Commission in this docket. See the more extensive discussion of Issue 15 above.

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

Monroe County: *The appropriate rate structure and rates are those that are based on (1) the BFCs and Gallons supported by Monroe County's witnesses, (2) a 40% BFC - 60% Gallonage charge structure, and (3) with residential gallons capped per standard Commission practice.*

Discussion

The appropriate rate structure is, like KWRU's present rate structure, one that includes: (1) a Base Facility Charge on a monthly basis and Gallonage Charges based on the amount of wastewater service provided; (2) Base Facility Charges calculated based upon the 40% BFC - 60% Gallonage allocation approved by the Commission in Order No. PSC-2017-0091 at page 67; and (3) residential Gallonage Charges capped at 10,000 gallons per month per standard Commission practice.

The appropriate rates are those that result from applying the above-described methodology to the final, Commission-approved revenue requirement, net of Miscellaneous Revenues and also net of Reuse Service revenues, using the number of bills that will be rendered and gallons that will be treated and charged for during the first twelve months that the new rates will be in effect. Based on the revenue requirement supported by Monroe County, which includes additional O&M expenses for the additional gallons that will be treated during the first twelve months after the rates become effective, and which also includes adjusting Miscellaneous Service Charge and similar revenues because KWRU failed to comply with the statute (see Monroe County's discussion of Issue 38) and Monroe County's recommended Reuse Service revenues of \$96,858 (see Monroe County's discussion of Issue 37), the appropriate rates are shown in Table 1 (following page), with additional information regarding revenues, gallonage, ERCs, and the basic BFC and Gallonage Charges shown on Exhibit I to this Brief.

In summary, for a typical Residential customer using 6,000 gallons per month, the rates would be:

BFC: \$ 39.02 per month

Gallonage Charge: \$ 6.89 per 1,000 gallons

Total bill for 6,000 gallons/month: \$ 80.36

The Gallonage Charge for General Service would be: \$8.27 per
1,000 Gallons.

TABLE 1
PROPOSED RATES

<u>Residential Service</u>	<u>Rates as of 7/2016</u>	<u>Rates as of 4/2017</u>	<u>Proposed Rates</u>
BFC All Meter Sizes	\$31.66	\$31.86	\$39.02
Gallage Charge per 1,000 gallons (10,000 gallon cap)	\$5.25	\$5.28	\$6.89
<u>General Service</u>			
5/8" x 3/4 "	\$31.66	\$31.86	\$39.02
1"	\$79.15	\$79.65	\$97.55
1.5"	\$158.30	\$159.30	\$195.10
2"	\$253.28	\$254.88	\$312.16
3"	\$506.56	\$509.76	\$585.30
4"	\$791.50	\$796.50	\$975.50
6"	\$1,583.00	\$1,593.00	\$1,951.00
8"	\$2,532.80	\$2,548.80	\$3,121.60
8" Turbo	\$2,849.40	\$2,867.40	\$3,511.80
Gallage Charge per 1,000 gallons	\$6.30	\$6.33	\$8.27
<u>Harbor Shores</u>			
Base Facility Charge		\$2,198.34	\$2,692.38
Gallage Charge per 1,000 gallons 690,000 gallon cap		\$5.28	\$6.89
<u>Private Lift Station Owners</u>			
5/8" x 3/4 "	\$25.33	\$25.49	\$31.22
1"	\$63.32	\$63.72	\$78.04
1.5"	\$126.64	\$127.44	\$156.08
2"	\$202.62	\$203.90	\$249.72
3"	\$405.25	\$407.81	\$468.24
4"	\$633.20	\$637.20	\$780.40
6"	\$1,266.40	\$1,274.40	\$1,560.80
8"	\$2,026.24	\$2,039.04	\$2,497.28
Gallage Charge per 1,000 gallons	\$6.30	\$6.33	\$8.27
<u>Reuse Service</u>			
Gallage Charge per 1,000 gallons	\$0.93	\$1.34	\$2.60

OTHER ISSUES

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

Monroe County: *The appropriate rate for KWRU's Reuse Service is \$2.60 per 1,000 gallons.*

Discussion

Reuse Service is essentially a co-product of wastewater treatment. Rates for Reuse Service, which is generally used for irrigation, are determined in significant part by the cost of alternative supplies of water for irrigation. Reuse rates can also be impacted by a utility's cost of disposing of treated wastewater. KWRU neither performed nor presented any cost of service analysis for its Reuse Service. Swain, TR 103. Rather, Ms. Swain simply applied the same across-the-board increase to Reuse Service as she proposed for other service rates.

Higher Reuse Service rates will - albeit modestly - hold down service rates to other customers. Swain, TR 105. In Monroe County's view, considering the disadvantaged economic status of many of KWRU's customers on Stock Island, Wilson, TR 464-66, EXH 43, this is a critical consideration that should lead the Commission to set KWRU's Reuse Service rates modestly higher than proposed by KWRU, despite the fact that the County is one of the few reuse customers. Monroe County asserts that, considering the cost of other reuse water service in the Florida Keys and the cost of using potable water for irrigation, a rate that is halfway between KWRU's proposed

rate and the lowest rate that the Florida Keys Aqueduct Authority ("FKAA") would charge for reuse service is entirely appropriate.

The lowest charge imposed by FKAA for its reuse service (Reclaimed Water Consumption) is \$3.025 per 1,000 gallons. Swain, TR 104; EXH 111, page B. The average of KWRU's proposed \$2.18 per 1,000 gallons and the lowest FKAA rate of \$3.025 is \$2.60 per 1,000 gallons. The Commission should set this rate as KWRU's charge for Reuse Service.

Issue 38: **What are the appropriate miscellaneous service charges?**

Monroe County: *The appropriate Miscellaneous Service Charges are those currently in effect. KWRU failed to proffer any testimony on this issue and failed to provide the cost justification required by Section 367.091(6), Florida Statutes, and accordingly, the Commission should order that KWRU can charge only the Miscellaneous Service Charge rates currently in effect.*

Discussion

The appropriate Miscellaneous Service Charges are those that are currently in effect, as follows:

	<u>Business Hours</u>	<u>After Hours</u>
Initial Connection Fee	\$ 59.50	\$ 65.80
Normal Reconnection Fee	\$ 65.80	\$ 76.10
Violation Reconnection Fee	Actual Cost	Actual Cost
Premises Visit Fee	\$ 45.70	\$ 52.00
Bad Check Charge	Pursuant to Sec. 68.065(2), Fla. Stat.	

KWRU's current Miscellaneous Service Charges should remain in effect because KWRU failed to justify its proposed increases. Specifically, KWRU failed to comply with the requirement of Section 367.091(6), Florida Statutes, 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." KWRU failed to provide any such cost justification. In fact, KWRU itself admitted that it did not comply with the statute when it stated, in its position on this issue in the Prehearing Order, that "no testimony has been proffered with regard to these charges."

Even though an interrogatory response that KWRU submitted out of time and in clear violation of the Commission's Order Establishing Procedure, Order PSC-2018-0039-PCO-SU, which response itself amounts to improper supplemental direct testimony, was admitted over Monroe County's objections, TR 119, 138, even the purported analysis provided in that inappropriate and late-submitted interrogatory response does not satisfy the statutory requirement. Witness Swain even admitted that she did no new analysis, but rather just took the one from the last case (TR 122) and applied three years of inflation to it. There was no analysis of actual costs, nor any analysis to support a finding that actual escalation of the cost components making up the Service Charges had

been as applied by Ms. Swain. (This lack of analysis is facially obvious from the exhibit itself.)

Further still, the Utility's premise that three years of inflation should be applied is based on the fallacious assertion that it had been three years since the Utility's last case, when in fact, these Miscellaneous Service Charge rates were only approved by the Commission to become effective roughly thirteen months ago, in April 2017. See KWRU's Tariff, Exhibit 108, at Sheet No. 15.0, PSC Approval documentation on back of certified copy of Tariff Sheet No. 15.0. In other words, the Utility has attempted, without any testimony and without adequate justification, to get three years' worth of inflation tacked on to the rates that the Commission approved barely a year ago.

The Commission's Price Index is not applicable to Service Charges in any event. The relevant provision of the Commission's rules is Rule 25-30.420(1)(a), F.A.C., which provides clearly that:

(a) The index shall be applied to all operation and maintenance expenses, except for amortization of rate case expense, costs subject to pass-through adjustments pursuant to Section 367.081(4)(b), F.S., and adjustments or disallowances made in a utility's most recent rate proceeding.

The Commission should approve only the existing Miscellaneous Service Charge rates for prospective application. KWRU failed to comply with the statutory requirement, and the Commission should - Monroe County would argue must - ignore the improper supplemental

testimony presented in the form of KWRU's filed-out-of-time interrogatory response. KWRU itself admitted that it did not comply with the statute when it stated, in its position on this issue in the Prehearing Order, that "no testimony has been proffered with regard to these charges." Thus, KWRU itself admitted that it did not present any competent substantial evidence - no testimony - to support its request. Its filed-out-of-time interrogatory response was not testimony. The Commission would properly reject this "testimony" if KWRU's attorneys had asked Ms. Swain the questions live at the hearing, and the Commission should not allow it to pollute the record. Finally, and without waiving the County's position that it is reversible error to allow this supplemental testimony to come into the record or to be considered, the Commission should not allow any adjustments to KWRU's Miscellaneous Services Charges based fallaciously on 3 years of inflation when it has only been 13 months since the subject charges became effective.

The resulting Miscellaneous Service Charge revenues are estimated to be \$75,356. This was calculated by de-escalating the Utility's figure of \$78,700, EXH 2 (DDS-1), MFR E-2, by the escalation applied by Ms. Swain, which was 4.437 percent. (\$78,700 divided by 1.04437 = \$75,356.)

Issue 39: **What is the appropriate late payment charge?**

Monroe County: *The appropriate late payment charge is the

current charge of \$7.15. KWRU failed to proffer any testimony on this issue and failed to provide the cost justification required by Section 367.091(6), Florida Statutes, and accordingly, the Commission should order that KWRU can charge only the Late Payment Charge currently in effect.*

Discussion

The appropriate Late Payment Charge is the current charge of \$7.15. EXH 2 (DDS-1), MFR E-4. As explained with respect to the Miscellaneous Service Charges discussed in Issue 38 above, KWRU failed to proffer any testimony on this issue and failed to provide the cost justification required by Section 367.091(6), Florida Statutes. Accordingly, the Commission should order that KWRU can charge only the Late Payment Charge currently in effect.

Issue 40: **What is the appropriate Lift Station cleaning charge?**

Monroe County: *The appropriate Lift Station Cleaning Charge is the current charge of \$1,462.00 per month. KWRU failed to proffer any testimony on this issue and failed to provide the cost justification required by Section 367.091(6), Florida Statutes, and accordingly, the Commission should order that KWRU can charge only the Lift Station Cleaning Charge that is currently in effect.*

Discussion

The appropriate Lift Station Cleaning Charge is the current charge of \$1,462.00 per month, EXH 2 (DDS-1), MFR E-4, applicable to Monroe County's service at the Monroe County Detention Center. As explained with respect to the Miscellaneous Service Charges discussed in Issue 38 above, KWRU failed to proffer any testimony

on this issue and failed to provide the cost justification required by Section 367.091(6), Florida Statutes. Accordingly, the Commission should order that KWRU can charge only the Lift Station Cleaning Charge currently in effect.

Issue 41: **What are the appropriate initial customer deposits?**

Monroe County: *The appropriate initial customer deposit for an initial service connection is one month's estimated bill. It is appropriate for KWRU to collect a deposit of two months' estimated bills for reconnection after disconnection for non-payment.*

Discussion

The appropriate initial customer deposits, i.e., those applicable for initial service connections and not applicable to a reconnection following disconnection for non-payment, should be one month's estimated bill. This is fair both to customers and the Utility. As KWRU well knows and as the record demonstrates, the customer base on Stock Island is predominantly low-income. Wilson, TR 464-66, EXH 43. These Monroe County citizens were more likely than not impacted more adversely than KWRU, in terms relative to their economic status and welfare, by Hurricane Irma, and imposing an additional cost on their ability to obtain even the relatively modest housing (trailers and Recreational Vehicles) to which they are relegated by their economic status, in unnecessary and inappropriate. If a customer gets disconnected for non-payment, then KWRU can charge the full two months' bill for the reconnection

deposit, but there is no reason to impose this extra burden on brand-new customers.

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

Monroe County: *No position.*

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

Monroe County: *The appropriate reduction will be a fall-out value based on the amount of rate case expense and the amortization period approved by the Commission.*

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?**

Monroe County: *The amount of any refund of interim rates collected is a fall-out issue, and any refund should be calculated according to standard Commission practice and rules.*

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

Monroe County: *Yes.*

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 the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?**

Monroe County: *Yes.*

Issue 47: **Should this Docket be closed?**

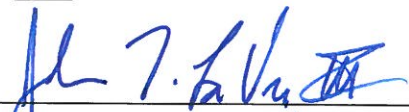
Monroe County: *Yes, this docket should be closed after all

opportunities for appeal have lapsed.*

CONCLUSION

Monroe County's positions honor and respect the Commission's fundamental ratemaking policies, importantly the matching of rates paid to costs incurred to provide service, and will provide a rate increase of approximately \$540,714 - 21.5 percent - to KWRU. Accordingly, the Commission should approve this revenue requirement, and the resulting rates recommended by Monroe County, which will enable KWRU to fulfill its duty to provide safe, efficient, and sufficient service to its customers.

Respectfully submitted this 6th day of June, 2018.



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PART 1 BILLING DETERMINANTS

Class / Meter Size	TY Bills	Meter Factor	ERCs	TY Cons Gals
Residential: 5/8" x 3/4"		1.0	18,267	
TOTAL RESIDENTIAL	18,267		18,267	69,518
General: 5/8" x 3/4"	1,660	1.0	1,660	
1"		2.5	300	
1 1/2"	60	5.0	300	
2"		8.0	1,184	
3"		15.0	255	
4"	12	25.0	300	
6"	12	50.0	600	
8"	12	80.0	960	
8" Turbo	12	90.0	1,080	
5/8" x 3/4" PLS	2,001	0.8	1,601	
1" PLS	104	2.0	208	
1 1/2" PLS	58	4.0	232	
2" PLS	58	6.4	371	
3" PLS	0	12.0	0	
4" PLS	0	20.0	0	
6" PLS	36	40.0	1,440	
8" PLS	12	64.0	768	
General Base			11,259	
General Gals				
Harbor Shores ¹				
BFC Usage (690,000 cap)	12	69.00	828	2,436
Reuse	16			37,253
TOTAL GENERAL SERVICE	4,322			
TOTAL METER EQUIVS:	22,601		30,354	226,439

PART 2 RECOMMENDED RATES

ALLOCATION	40% BFC	1 KGAL
Revenue Requirement less Misc Revs	\$2,961,336	\$1,776,802
Unit Cost per BFC (RS and GS):		\$39.02
Adjusted RS kgals (Gal*80%)	55,614.400	
Adjusted GS kgals (Gal*96%)	150,644.160	
Total adj RS + GS kgals	206,258.560	
Unadjusted kgal charge		8.61
Residential Unit Cost per Kgal:		6.89
Gen Service Unit Cost per Kgal:		8.27
Revenue Requirement		
Less Misc Revenues (\$75,356)		
Reuse Revenues (B-4) (\$96,858)		
Revenues from service rates	\$2,961,336	

PART 3 REVENUE PROOF

BFC	Gal	BFC	Gal
\$39.02	\$6.89	\$712,778	\$478,979
Total Residential		\$712,778	\$478,979
			\$1,191,757
\$39.02	\$8.27	\$64,773	
\$97.55	\$8.27	\$11,706	
\$195.10	\$8.27	\$11,706	
\$312.16	\$8.27	\$46,200	
\$585.30	\$8.27	\$9,950	
\$975.50	\$8.27	\$11,706	
\$1,951.00	\$8.27	\$23,412	
\$3,121.60	\$8.27	\$37,459	
\$3,511.80	\$8.27	\$42,142	
\$31.22	\$8.27	\$62,471	
\$78.04	\$8.27	\$8,116	
\$156.08	\$8.27	\$9,053	
\$249.73	\$8.27	\$14,484	
\$468.24	\$8.27	\$0	
\$780.40	\$8.27	\$0	
\$1,560.80	\$8.27	\$56,189	
\$2,497.28	\$8.27	\$29,967	
		\$439,334	\$1,277,591
			\$1,716,925
\$2,692.38	\$8.27	\$32,309	\$20,146
			\$96,858
Total General Service			\$1,737,071
Total Revenues			2,961,137
Revenue Difference			-199
Percentage Difference			-0.01%

PART 4 CHANGE IN BILLS

KGAL	OLD BILL	CHANGE %	CHANGE \$	NEW BILL
0	\$31.86	22.47%	\$7.16	\$39.02
1	\$37.14	23.61%	\$8.77	\$45.91
2	\$42.42	24.47%	\$10.38	\$52.80
3	\$47.70	25.14%	\$11.99	\$59.69
4	\$52.98	25.67%	\$13.60	\$66.58
6	\$63.54	26.47%	\$16.82	\$80.36
7	\$68.82	26.78%	\$18.43	\$87.25
8	\$74.10	27.04%	\$20.04	\$94.14
10	\$84.66	27.47%	\$23.26	\$107.92

CURRENT RESIDENTIAL RATES
 BFC \$31.86
 KGAL CHARGE \$5.28
 GALLONAGE CAP 10,000

Test Year Revenue Check	Test Year Revenues	MFR E-2
BFC \$31.86	Gal \$5.28	BFC \$581,987
		Gal \$367,055
Total Residential		\$581,987
		\$367,055
		\$949,042
\$31.86	\$6.33	\$52,888
\$79.65		\$9,558
\$159.30		\$9,558
\$254.88		\$37,722
\$477.90		\$8,124
\$796.50		\$9,558
\$1,593.00		\$19,116
\$2,548.80		\$30,586
\$2,867.40		\$34,409
\$25.49		\$51,001
\$63.72		\$6,627
\$127.44		\$7,392
\$203.90		\$11,826
\$382.32		\$0
\$637.20		\$0
\$1,274.40		\$45,878
\$2,039.04		\$24,468
		\$339,950
		\$944,721
		\$1,336,602
2,198.34	\$26,380	\$26,380
		\$12,862
		\$39,242
Total General Service		\$1,375,844
Total Service Revenues		2,324,886
Reuse Revenues		36,279
Miscellaneous Revenues		78,700
Total Revenues		2,439,865
TY Per Utility		2,502,789
Revenue Difference		-62,924
Percentage Difference		-2.71%

DOCKET NO. 20170141-SU
 EXHIBIT I TO
 MONROE COUNTY'S
 POST-HEARING BRIEF

¹Harbor Shores calculated by using rate divided by bills to calculate meter factor

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing was furnished to the following, by electronic delivery, on this 6th day of June, 2018.


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