

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for an increase in wastewater rates
In Monroe County by K W Resort Utilities Corp.

Docket No. 20240108-SU

NOTICE OF FILING RATE CASE SYNOPSIS

K W Resort Utilities Corp., by and through its undersigned attorneys, hereby gives notice of filing the attached Rate Case Synopsis required by Rule 25-22.0407(3), Florida Administrative Code.

Respectfully submitted this 24th day of
February, 2025, by:

Dean Mead
420 S. Orange Ave., Suite 700
Orlando, Florida 32801
Direct Telephone: (407) 310-2077
Facsimile: (407) 423-1831

/s/ Martin S. Friedman
Martin S. Friedman

K W RESORT UTILITIES CORP.
APPLICATION FOR INCREASE IN WASTEWATER RATES
IN MONROE COUNTY, FLORIDA

DOCKET NO. 20240108-SU

SYNOPSIS

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I. Purpose

In accordance with the Florida Public Service Commission's Rule 25-22.0407 Florida Administrative Code, regarding Notice of and Public Information on General Rate Increase Requests, a utility requesting a rate increase must prepare and distribute a synopsis of the rate request. The following information will provide the background on the rate request of K W Resort Utilities Corp. (Utility) and the rate case process in general.

II. Comparison of the Rates Prior to Filing and Proposed Final Rates

On December 13, 2024, the Utility filed an application with the Florida Public Service Commission (the “Commission”) for increased wastewater rates for its customers in Monroe County based on a historical test year ending June 30, 2024, for final rates. The application is assigned Docket No. 20240108-SU and January 24, 2025, was established as the official date of filing.

The Utility is requesting a rate increase because the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and an opportunity to earn a fair return on the Utility’s investment in used and useful property for the public use. The Utility has incurred substantial additional operating costs and capital investment. The Utility has requested a permanent revenue increase of \$913,747 (23.3%). The requested increase would produce annual revenues of \$4,834,389. The Utility has not requested that the Commission approve interim rates. The Utility’s rates prior to filing the Application and the Utility’s requested rates are set forth below.

CURRENT AND REQUESTED RATES

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	<u>Utility’s Current Rates</u>	<u>Utility’s Requested Final Rates</u>
<u>Residential Service</u>		
Base Facility Charge		
All Meter Sizes	\$53.24	\$65.95
Charge per 1,000 gallons	\$8.82	\$10.93
10,000 gallon cap		

CURRENT AND REQUESTED RATES

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	<u>Utility's Current Rates</u>	<u>Utility's Requested Final Rates</u>
<u>General Service</u>		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$53.24	\$65.95
3/4"	\$79.86	\$98.93
1"	\$133.10	\$164.88
1.5"	\$266.20	\$329.75
2"	\$425.92	\$527.60
3"	\$851.84	\$1,055.20
4"	\$1,331.00	\$1,648.75
6"	\$2,662.00	\$3,297.50
8"	\$4,259.20	\$5,276.00
8" Turbo	\$4,791.60	\$5,935.50
Charge per 1,000 gallons	\$10.58	\$13.11
<u>Reuse Service</u>		
Charge per 1,000 gallons	\$1.88	\$2.33
	<u>Utility's Current Rates</u>	<u>Utility's Requested Final Rates</u>
<u>Private Lift Station Owners</u>		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$42.60	\$52.77
3/4"	\$63.90	\$79.16
1"	\$106.50	\$131.93
1.5"	\$213.00	\$263.86
2"	\$340.80	\$422.18
3"	\$861.60	\$844.37
4"	\$1,065.00	\$1,319.32
6"	\$2,130.00	\$2,638.64
8"	\$3,408.00	\$4,221.83
Charge per 1,000 gallons	\$10.58	\$13.11
<u>Harbor Shores</u>		
Base Facility Charge (69 ERCs)	\$3,673.56	\$4,550.81
Gallonage Charge Per 1,000 Gallons 690,000 gallon cap	\$8.82	\$10.93

Service Availability Charges

The Utility is not requesting any changes to its service availability charges. Although not requested to do so, the Commission may review and adjust service availability charges.

III. General Reasons for Rate Request

The Utility is requesting a rate increase because it believes the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and a fair return on the Utility's investment in used and useful property for the public use. The Utility's last rate proceeding before the Commission was in Docket No. 20170141-SU, utilizing a test year ending June 30, 2017, which resulted in the issuance of Order No. PSC-2018-0446-FOF-SU on September 4, 2018.

Furthermore, the rate of return on equity requested in this proceeding is 10.05%. The overall return requested (the weighted cost of debt and equity) is 8.06%. According to its books, the Utility states that its current overall rate of return without a rate increase is negative for its wastewater system.

IV. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case. However, the following issues are anticipated to be the major areas considered:

1. What is the test year rate base?
2. Are the pro forma capital projects justified?
3. What is the test year net operating income?
4. What is the test year cost of capital?
5. What is the test year revenue requirement?
6. What is the proper rate design to recover the test year revenue requirement?

V. Description of the Ratemaking Process

Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Commission is composed of five **Commissioners** appointed by the Governor. If a Proposed Agency Action Order is protested by a substantially affected person, a hearing is scheduled and is usually heard by a panel of three Commissioners. The Commissioners who hear this case will make a final decision on all of the issues in the case.

2. The Commissioners are assisted by **Commission staff**. The staff members involved in the case include engineers, accountants, attorneys, consumer affairs specialists, and rate and financial analysts.
3. The **Office of Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Commission. The Public Counsel also has a staff of attorneys, accountants, and rate and financial analysts. The Public Counsel may monitor the case or may actively participate.
4. The **Utility's** officers and staff personnel may testify about the Utility, its operation, revenue, and expenses. The Utility may also employ outside consultants as expert witnesses, as well as an attorney or other specialists to assist them with the rate case. The accountants, rate analysts, and engineers compile information in support of the rate increase request and testify at hearings.
5. **Interveners** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervener is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case, should the case be set for an administrative hearing. The intervener has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

Rate Case Requirements

A test year is requested by the Utility, and when approved, is used as a measuring point to determine if a rate increase should be approved. The Utility files an application pursuant to Commission rules (minimum filing requirements or "MFRs"). This application reflects the amount of money the Utility has invested in its facilities to serve its customers. It also includes the Utility's requested rate of return on its investment and the expenses the Utility incurs to provide service for the test year. The data provides information about the operations of the Utility, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision. Commission staff may also request that the Utility file additional information before the case is over. Among the things the Commission looks for are expenditures that could be considered unnecessary, improper, or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

The Commission staff performs an audit of the Utility's books and records to see if they match the Utility's MFRs, and that the Utility is in compliance with Commission rules and policies. The Commission staff auditors issue a report of their findings which is filed with the Commission. The Commission staff also performs other examinations and document requests of the Utility's personnel and the Utility's quality of service. This includes an engineering physical inspection of the Utility's facilities and a review of records filed with other regulatory agencies regarding the Utility.

PAA Procedures

The Utility has requested that its application be processed using the Commission's Proposed Agency Action (PAA) procedure. Additionally, all files related to this Docket are accessible on the Commission's website: <https://www.psc.state.fl.us/clerks-office-dockets-level2?DocketNo=20240108&TabNumber=5> Under this procedure, the Commission staff holds a customer meeting in the Utility's service territory to obtain information from the customers on the Utility's service and other issues regarding the requested rate increase.

After the Commission auditors have completed their audit and the Commission staff has reviewed the information filed by the Utility and comments received from customers at the customer meeting, the Commission staff makes a recommendation to the Commission as to the amount of rate increase that the Utility should be granted. This recommendation is presented to the Commission at a public agenda conference in Tallahassee at which the Commissioners consider the Commission staff's recommendations and vote on each issue identified by the Commission staff.

The Commission attorneys then prepare a formal order containing the Commission's proposed action, including the new rates and when they will be effective. Substantially affected persons have 21 days after this written order is issued to decide whether to accept the Commission's decision or to request a formal hearing.

If no party protests the order, and the hearing process is not triggered, the Commission's decision becomes final, a consummating order is issued, the new rates go into effect, and the docket is closed.

Hearings

If any substantially affected party objects to the Commission's proposed agency action and requests a formal hearing, the Commission will schedule public hearings on the rate case. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination. The final decision must be based upon information presented to the Commission during the hearings. At this time, customer testimony is given under oath regarding quality of service and the proposed rates and charges.

The Public Counsel provides legal representation for consumers in matters before the Commission. If the Public Counsel chooses to participate in a rate case hearing, it has access to all the information filed by the Utility, assists members of the public who wish to testify, and may even provide expert witnesses on various issues in the case.

Any witnesses from the Utility, Commission staff, the Public Counsel and interveners present testimony and are cross-examined. There are official transcripts of all hearings. Court reporters record the hearings, just as they do in a courtroom.

Completing the Rate Case

After the hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues. The Commission staff then makes recommendations to the Commissioners on each issue of the case. There are many issues in a major water and wastewater rate case, and it sometimes takes the Commissioners several hours to complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission's decisions, the basis for the decisions, the new rates and charges, and when they will be effective. After the Commission's order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the Utility, or any other party to the hearing may appeal the Commission's decision to the courts.

VI. Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in the Utility's rate case:

<u>Schedule Item</u>	<u>Due Dates</u>
Customer Meeting	04/16/2025
Staff's PAA Recommendation	06/19/2025
Agenda Conference on PAA Rates	07/01/2025
PAA Order Issued	07/21/2025

VII. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission's offices in Tallahassee. Additionally, all files related to this docket are accessible on the Commission's website (<http://www.floridapsc.com/>).

Customer comments concerning the Utility's service and its request for an increase in rates should be addressed to the Office of Commission Clerk, at the Florida Public Service Commission:

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0870

A courtesy copy of written comments and complaints may be sent to the following:

Martin S. Friedman, Esquire
Dean Mead
420 S. Orange Ave., Suite 700
Orlando, Florida 32801
mfriedman@deanmead.com

Complaints may also be made by phone to the Office of Consumer Assistance and outreach at 1-800-342-3552, submitted through the Public Service Commission's toll-free facsimile line at 1-800-511-0809, or the Commission's website available at: <http://www.floridapsc.com/consumers/complaints/index2.aspx>

All comments should include reference to Commission Docket No. 20240108-SU, and the name of the Utility, K W Resort Utilities Corp.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by

Electronic mail to the following parties this 24th day of February, 2025:

Walt Trierweiler, Esquire
Charles J. Rehwinkel, Esquire
Octavio Simoes-Ponce, Esquire
Austin Watrous, Esquire
Office of Public Counsel
c/o Florida Legislature
111 West Madison Street, Suite 812
Tallahassee, FL 32399-1400
TRIERWEILER.WALT@leg.state.fl.us
rehwinkel.charles@leg.state.fl.us
PONCE.OCTAVIO@leg.state.fl.us
WATROUS.AUSTIN@leg.state.fl.us

Suzanne Brownless, Esquire
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850
sbrownle@psc.state.fl.us

/s/ Martin S. Friedman
Martin S. Friedman