

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, February 7, 2017, following hearing*

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: January 27, 2017

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the item number.

To participate informally, affected persons need only appear at the conference and request the opportunity to address the Commission on an item listed on the agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing. See Florida Administrative Code Rules 25-22.0021 (agenda conference participation) and 25-22.0022 (oral argument).

Conference agendas, staff recommendations, vote sheets, and transcripts are available online at <http://www.floridapsc.com>, by selecting *Conferences & Meeting Agendas* and *Commission Conferences of the FPSC*. An official vote of "move staff" denotes that the Item's recommendations were approved.

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 1-800-955-8770 (Voice) or 1-800-955-8771 (TDD), Florida Relay Service. Assistive Listening Devices are available at the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

The Commission Conference has a live video broadcast the day of the conference, which is available from the FPSC website. Upon completion of the conference, the archived video will be available from the website by selecting *Conferences & Meeting Agendas*, then *Audio and Video Event Coverage*.

EMERGENCY CANCELLATION OF CONFERENCE: If a named storm or other disaster requires cancellation of the Conference, Commission staff will attempt to give timely notice. Notice of cancellation will be provided on the Commission's website (<http://www.psc.state.fl.us/>) under the Hot Topics link on the home page. Cancellation can also be confirmed by calling the Office of Commission Clerk at 850-413-6770.

If you have any questions, contact the Office of Commission Clerk at (850) 413-6770 or Clerk@psc.state.fl.us.

*Hearing in Docket No. 160159-GU to be held at 11:00 a.m. in Hearing Room 148.

Table of Contents
 Commission Conference Agenda
 February 7, 2017

1**	Consent Agenda	1
2	Docket No. 160175-GU – Petition for review and determination on the project construction and gas transportation agreement between NUI Utilities, Inc. d/b/a City Gas Company of Florida and Florida Crystals Corporation, and approval of an interim service arrangement.	4
3**	Docket No. 160251-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Matthew by Florida Power & Light Company.	5
4**	Docket No. 140217-WU – Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.	7
5**PAA	Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.	8
6**PAA	Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.	12
7**PAA	Docket No. 160220-WS – Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.	18
8**PAA	Docket No. 160144-WU – Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC. ..	20
9**PAA	Docket No. 160242-EU – Joint petition for approval of territorial agreement in Alachua County by Clay Electric Cooperative, Inc. and the City of Newberry. ..	23
10**	Docket No. 160245-EI – Petition for approval of a new optional pilot LED streetlight tariff, by Florida Power & Light Company.	24
11	Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.	25

ITEM NO.

CASE

1**	Consent Agenda				
PAA	A) Application for Certificate of Authority to Provide Telecommunications Service. <table><tr><td><u>DOCKET NO.</u></td><td><u>COMPANY NAME</u></td></tr><tr><td>160147-TX</td><td>FL Network Transport, LLC</td></tr></table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	160147-TX	FL Network Transport, LLC
<u>DOCKET NO.</u>	<u>COMPANY NAME</u>				
160147-TX	FL Network Transport, LLC				
PAA	B) Application for Certificate of Authority to Provide Pay Telephone Service. <table><tr><td><u>DOCKET NO.</u></td><td><u>COMPANY NAME</u></td></tr><tr><td>160247-TC</td><td>Legacy Long Distance International, Inc.</td></tr></table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	160247-TC	Legacy Long Distance International, Inc.
<u>DOCKET NO.</u>	<u>COMPANY NAME</u>				
160247-TC	Legacy Long Distance International, Inc.				

ITEM NO.

CASE

1**

Consent Agenda

(Continued from previous page)

- C) Docket No. 160244-GU – Application for authorization to issue common stock, preferred stock and secured and/or unsecured debt, and to enter into agreements for interest rate swap products, equity products and other financial derivatives in 2017, by Chesapeake Utilities Corporation.

Chesapeake Utilities Corporation (Chesapeake or Utility) seeks authority to issue during calendar year 2017: up to 7,965,000 shares of Chesapeake common stock, up to 2,000,000 shares of Chesapeake preferred stock, up to \$450 million in secured and/or unsecured debt; to enter into agreements up to \$150 million in interest rate swap products, equity products and other financial derivatives; and to issue short-term obligations in an amount not to exceed \$275 million.

Chesapeake allocates funds to the Florida Division, Florida Public Utilities, and Indiantown Gas Company on an as-needed basis, although in no event would such allocations exceed 75 percent of the proposed equity securities (common stock and preferred stock), long-term debt, short-term debt, interest rate swap products, equity products, and financial derivatives.

Pursuant to Section 366.04, Florida Statutes (F.S.), the Commission shall have jurisdiction to regulate and supervise each public utility in the issuance and sale of its securities, except a security which is a note or draft maturing not more than one year after the date of such issuance and sale and aggregating not more than five percent of the par value of the other securities of the public utility then outstanding.

For 2017, five percent of the Chesapeake's aggregate outstanding balance of other securities (i.e., common stock equity at par value and long term debt) is \$8,186,579. Chesapeake requests approval to issue short-term debt in excess of five percent of the Utility's aggregate balance of other securities. Staff believes the Utility's request conforms to Section 366.04, F.S. and the dollar amounts proposed in the application are reasonable.

Staff has reviewed the Utility's projected capital expenditures. The amount requested by Chesapeake exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for the purposes enumerated in the Utility's petition, as well as, unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends the Utility's petition to issue securities be approved.

ITEM NO.

CASE

1**

Consent Agenda

(Continued from previous page)

Recommendation: The Commission should approve the actions requested in the dockets referenced above and close Docket Nos. 160147-TX and 160247-TC. For monitoring purposes, Docket No. 160244-GU should remain open until April 26, 2018, to allow the Utility time to file the required Consummation Report.

ITEM NO.

CASE

2

Docket No. 160175-GU – Petition for review and determination on the project construction and gas transportation agreement between NUI Utilities, Inc. d/b/a City Gas Company of Florida and Florida Crystals Corporation, and approval of an interim service arrangement.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Patronis

Staff: GCL: Leathers, Crawford

ECO: Guffey, Draper, Rome

(Motion for Clarification - Oral Argument Not Requested - Decision Prior to Hearing - Participation is at the Discretion of the Commission.)

Issue 1: Should the Commission grant Florida Crystals Corporation's Motion for Clarification of Order No. PSC-16-0581-PCO-GU?

Recommendation: Yes. The Commission should clarify that Order No. PSC-16-0581-PCO-GU is preliminary and based solely on the representations of the parties that the Commission has before it at this time. Further, the Commission should clarify that no party is precluded from raising and identifying appropriate issues or from presenting evidence and argument on any issue in this case.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's final action in this docket.

ITEM NO.

CASE

3**

Docket No. 160251-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Matthew by Florida Power & Light Company.

Critical Date(s): 03/01/17 (Requested Implementation Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: AFD: Slemkewicz, Archer, D. Buys, Mouring

ECO: Rome, Draper

GCL: Brownless

(Preliminary Procedural.)

Issue 1: Should the Commission authorize FPL to implement a 2017 Interim Storm Restoration Recovery Charge?

Recommendation: Yes. The Commission should authorize FPL to implement a 2017 Interim Storm Restoration Recovery Charge, subject to refund. Once the total actual storm costs are known, FPL should be required to file documentation of the storm costs for Commission review and true up of any excess or shortfall.

Issue 2: Should the Commission approve FPL's request to establish a regulatory asset for the debit balance in Account 228.1, Accumulated Provision for Property Insurance?

Recommendation: No. The Commission should not approve FPL's request to establish a regulatory asset for the debit balance in Account 228.1, Accumulated Provision for Property Insurance.

Issue 3: Should the Commission approve FPL's proposed Original Tariff Sheet No. 8.042 and Fifty-Sixth Revised Tariff Sheet No. 8.010 with an effective date of March 1, 2017?

Recommendation: Yes, the Commission should approve FPL's proposed Original Tariff Sheet No. 8.042 and Fifty-Sixth Revised Tariff Sheet No. 8.010 as shown in Attachment A of staff's memorandum dated January 26, 2017, with an effective date of March 1, 2017.

Issue 4: What is the appropriate security to guarantee the amount collected subject to refund through the 2017 Interim Storm Restoration Recovery Charge?

Recommendation: The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking.

ITEM NO.

CASE

3**

Docket No. 160251-EI – Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricane Matthew by Florida Power & Light Company.

(Continued from previous page)

Issue 5: Should this docket be closed?

Recommendation: No, this docket should remain open pending final reconciliation of actual recoverable Hurricane Matthew storm costs with the amount collected, pursuant to the 2017 Interim Storm Restoration Recovery Charge, and the calculation of a refund or additional charge if warranted.

ITEM NO.

CASE

4**

Docket No. 140217-WU – Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Polmann

Staff: AFD: Galloway, Norris
APA: Hallenstein, Lehmann, Vinson
ECO: Hudson, Johnson
ENG: Ellis, Mtenga
GCL: Corbari

Issue 1: Is Cedar Acres in substantial compliance with Order No. PSC-15-0535-PAA-WU; and, if not, should Cedar Acres be ordered to show cause why it is not in substantial compliance with Order No. PSC-15-0535-PAA-WU?

Recommendation: Yes, Cedar Acres is in substantial compliance with Order No. PSC-15-0535-PAA-WU, and should not be ordered to show cause.

Issue 2: Should the Utility be required to file an additional billing analysis?

Recommendation: Yes. Cedar Acres should be required to file an additional billing analysis, which reflects the period of November 1, 2016 to June 30, 2017, by July 31, 2017.

Issue 3: Should this docket be closed?

Recommendation: No. This docket should remain open to allow staff to continue to monitor Cedar Acres' meter replacement program, and administration of escrow account funds. Additionally, this docket should remain open to allow staff to analyze the Utility's billing analysis due on or before July 31, 2017.

ITEM NO.

CASE

5**PAA

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

Critical Date(s): 03/03/17 (15-Month Effective Date (SARC))

Commissioners Assigned: All Commissioners

Prehearing Officer: Polmann

Staff: AFD: Vogel

ECO: Bruce

ENG: Matthews

GCL: Corbari, Lherisson

Issue 1: Is the quality of service provided by East Marion Utilities, LLC satisfactory?

Recommendation: Yes, the overall quality of service provided by East Marion should be considered satisfactory.

Issue 2: What are the used and useful (U&U) percentages of East Marion Utilities, LLC's water treatment plant (WTP), wastewater treatment plant (WWTP) and distribution and collection systems?

Recommendation: East Marion's WTP should be considered 100 percent U&U. The water distribution system should be considered 58.7 percent U&U. The WWTP should be considered 24.0 percent U&U. The wastewater collection system should be considered 50.8 percent U&U. There is no excessive unaccounted for water (EUW) and no excessive infiltration and inflow (I&I).

Issue 3: What is the appropriate average test year water rate base and wastewater rate base for East Marion Utilities, LLC?

Recommendation: The appropriate average test year water rate base for East Marion is \$16,177 and the average test year wastewater rate base is \$12,257.

Issue 4: What is the appropriate return on equity and overall rate of return for East Marion Utilities, LLC?

Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 5.49 percent.

Issue 5: What are the appropriate test year revenues for East Marion Utilities, LLC's water and wastewater systems?

Recommendation: The appropriate test year revenues for East Marion's water system and wastewater systems are \$23,903 and \$35,882, respectively.

Issue 6: What is the appropriate amount of operating expense for East Marion Utilities, LLC?

Recommendation: The appropriate amount of operating expense for East Marion is \$28,447 for water and \$39,033 for wastewater.

ITEM NO.

CASE

5**PAA

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the water and wastewater revenue requirement for East Marion Utility, LLC, and, if so, what is the appropriate margin?

Recommendation: Yes, the Commission should utilize the operating ratio methodology for calculating the water and wastewater revenue requirements for East Marion. The margin should be 10 percent of O&M expense.

Issue 8: What is the appropriate revenue requirement for East Marion Utilities, LLC?

Recommendation: The appropriate revenue requirement is \$28,395 for water and \$38,741 for wastewater, resulting in an annual increase of \$4,492 (18.79 percent) for water and an annual increase of \$2,859 (7.97 percent) for wastewater.

Issue 9: What are the appropriate rate structures and rates for East Marion Utilities, LLC's water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated January 26, 2017. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 10: Should the Commission approve East Marion Utilities, LLC's request to implement a convenience charge for customers who opt to pay their bill by debit or credit card?

Recommendation: Yes. East Marion's request for approval of a convenience charge of \$3.43 for customers who opt to pay their bill by credit or debit card should be approved. The convenience charge should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

East Marion should be required to make a refund to those customers who were assessed an unauthorized convenience charge in accordance with Rule 25-30.360 F.A.C. The refunds should be made with interest and completed within 90 days of the Commission's final order. Monthly reports on the status of the refund shall be made by the 20th of the following month and a report should be completed within 90 days of the completion of the refund consistent with Rule 25-30.360(7), F.A.C.

ITEM NO.

CASE

5**PAA

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

Issue 11: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated January 26, 2017, to remove rate case expense grossed up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. East Marion should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 12: Should the recommended rates be approved for East Marion Utility, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. East Marion should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff’s memorandum dated January 26, 2017. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission’s Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

ITEM NO.

CASE

5**PAA

Docket No. 150257-WS – Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.

(Continued from previous page)

Issue 13: Should East Marion Utilities, LLC be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission’s decision?

Recommendation: Yes. East Marion should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission’s decision. East Marion should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 14: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating should be issued. The docket should remain open for staff to verify: (i) the required revised tariff sheets and customer notices have been filed by East Marion Utilities, LLC and approved by our staff; (ii) East Marion Utilities, LLC filed its letter stating it has adjusted its books; and (iii) East Marion Utilities, LLC has properly refunded all unauthorized convenience fee charges collected. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

6**PAA

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

Critical Date(s): 02/07/17 (5-Month Effective Date Waived Through February 07, 2017)

Commissioners Assigned: All Commissioners

Prehearing Officer: Polmann

Staff: ENG: Hill, Graves, King

AFD: Frank, Norris

ECO: Bruce, Hudson, Johnson

GCL: Leathers, Crawford

(Proposed Agency Action - Except for Issue Nos. 21 and 23.)

Issue 1: Is the quality of service provided by Bocilla satisfactory?

Recommendation: Yes. Staff recommends that the quality of Bocilla's product and the condition of the water treatment facilities is satisfactory. It appears that the Utility has attempted to address customers' concerns. Therefore, staff recommends that the overall quality of service for the Bocilla water system in Charlotte County is satisfactory.

Issue 2: Should the audit adjustments to rate base to which the Utility and staff agree be made?

Recommendation: Yes. Accumulated amortization of Contributions-in-aid-of-Construction (CIAC) should be decreased by \$44,625, and CIAC amortization expense should be decreased by \$3,538. Further, Operations and Maintenance (O&M) expense should be decreased by \$2,271.

Issue 3: Should the full amount of the original cost study provided by the Utility be accepted as a factor in determining Utility Plant in Service?

Recommendation: No. Staff recommends that the original cost study is sufficient to support the amount of Utility Plant in Service (UPIS) presented in the MFRs; however, errors and discrepancies discovered by staff suggest that the original cost study is not sufficiently reliable to support the higher plant values. Staff recommends that UPIS balances should be based on the MFRs for all accounts except 311.2 – Pumping Equipment, with adjustments described in the analysis portion of staff's memorandum dated January 26, 2017. Accordingly, UPIS should be \$1,197,605. Corresponding adjustments should also be made to increase accumulated depreciation by \$2,856 and decrease depreciation expense by \$3,861. Additionally, property taxes should be decreased by \$5,006.

ITEM NO.

CASE

6**PAA

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

(Continued from previous page)

Issue 4: Should further adjustments be made to the Utility's rate base?

Recommendation: Yes. Land should be decreased by \$44,000 to reflect the removal of land from rate base. CIAC should be increased by \$83 associated with the meter installation charges collected by the Utility. Corresponding adjustments should be made to increase both accumulated amortization of CIAC and CIAC amortization expense by \$8.

Issue 5: Should any adjustments be made to the Utility's pro forma plant?

Recommendation: Yes. The appropriate amount of pro forma plant additions is \$79,050. This results in a decrease of \$5,300 from the Utility's requested amount. Therefore, UPIS should be increased by \$79,050. Corresponding adjustments should also be made to increase accumulated depreciation by \$2,866 and increase depreciation expense by \$2,866. Additionally, property taxes should be increased by \$1,271.

Issue 6: What is the used and useful (U&U) percentage of the Utility's water transmission and distribution system?

Recommendation: Bocilla's water transmission and distribution system should be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW), therefore, staff recommends that no adjustment be made to operating expenses for purchased water.

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$47,399. As such, the working capital allowance should be increased by \$1,933.

Issue 8: What is the appropriate rate base for the test year period ended December 31, 2015?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2015, is \$612,514.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission's leverage formula currently in effect, the appropriate return on equity (ROE) is 11.16 percent with an allowed range of plus or minus 100 basis points.

Issue 10: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2015, is 5.77 percent.

Issue 11: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for Bocilla's water system are \$398,153.

ITEM NO.

CASE

6**PAA

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

(Continued from previous page)

Issue 12: Should any adjustments be made to the Utility’s pro forma expenses?

Recommendation: Yes. The Utility’s requested pro forma expenses should be reduced by \$21,121 to a total of \$34,598.

Issue 13: Should any adjustments be made to the Utility’s salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be reduced by \$18,860. A corresponding adjustment should be made to reduce payroll taxes by \$2,269.

Issue 14: Should further adjustments be made to the Utility’s O&M expense?

Recommendation: Yes. O&M expense should be further decreased by \$18,738.

Issue 15: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$82,929. This expense should be recovered over four years for an annual expense of \$20,732. Therefore, annual rate case expense should be decreased by \$368.

Issue 16: What is the appropriate revenue requirement for the test year ended December 31, 2015?

Recommendation: Staff recommends the following revenue requirement be approved.

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$398,153	\$75,708	\$473,861	19.01%

Issue 17: What are the appropriate rate structures and rates for Bocilla’s water system?

Recommendation: The recommended rate structure and monthly water rates are attached as Schedule No. 4 of staff’s memorandum dated January 26, 2017. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

ITEM NO.

CASE

6**PAA

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

(Continued from previous page)

Issue 18: Should Bocilla's request to implement a late payment charge be approved?

Recommendation: Yes. Bocilla's request to implement a late payment charge of \$7.12 should be approved. Bocilla should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 19: Should the Utility's approved service availability policy and charges be revised?

Recommendation: Yes. Bocilla's existing wastewater system capacity charge should be discontinued. Staff recommends a main extension charge of \$1,279 per ERC and a new meter installation charge of \$365. The Utility's existing AFPI charge should be collected from the remaining 315 ERCs the system was designed to serve. The approved service availability charges may only be collected from new connections to the Utility's water system. The approved service availability charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

Issue 20: What are the appropriate initial customer deposits for Bocilla?

Recommendation: The appropriate water initial customer deposit should be \$169 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475, F.A.C.

ITEM NO.

CASE

6**PAA

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

(Continued from previous page)

Issue 21: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.¹?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated January 26, 2017, to remove rate case expense grossed up for Regulatory Assessment Fees (RAFs) and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Bocilla should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 22: In determining whether any portion of the interim water revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. This results in a refund of 7.81 percent for water. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, the letter of credit should be released upon staff's verification that the required refunds have been made.

¹ Section 367.0816, F.S., was repealed, pursuant to Ch. 2016-226, Laws of Florida, effective July 1, 2016. However, the Statute was in effect when Bocilla's application was filed, and therefore shall remain applicable in this case.

ITEM NO.

CASE

6**PAA

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

(Continued from previous page)

Issue 23: 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?

Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Bocilla should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 24: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

7**PAA

Docket No. 160220-WS – Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.

Critical Date(s): 02/08/17 (90-Day Deadline to Grant or Deny Application) (90-Day Statutory Deadline to Address Rule Waiver Has Been Waived by the Utility through February 7, 2017)

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: ENG: Hill, Graves

AFD: Galloway

ECO: Friedrich, Hudson

GCL: Taylor

(Proposed Agency Action for Issue 1.)

Issue 1: Should the Commission grant South Sumter’s petition for a temporary waiver of Rules 25-30.033(1)(p) and (q), F.A.C.?

Recommendation: Yes. South Sumter’s petition for a temporary waiver of Rules 25-30.033(1)(p) and (q), F.A.C., should be granted. South Sumter should file the information required to set initial rates and charges in the third quarter of 2017. The Utility has met the requirements found in Section 120.542, F.S., and the Commission should grant South Sumter’s petition for temporary waiver of Rules 25-30.033(1)(p) and (q) until it has completed its permitting and is closer to commencement of operations.

Issue 2: Should the application of South Sumter Utility Company, L.L.C. for water and wastewater certificates be approved?

Recommendation: Yes. The Commission should grant South Sumter Utility Company, L.L.C. Certificate Nos. 669-W and 571-S to serve the territory described in Attachment A of staff’s memorandum dated January 26, 2017, effective the date of the Commission’s vote. The resultant order should serve as South Sumter’s water and wastewater certificates and it should be retained by the Utility.

Issue 3: Should initial water and wastewater rates, charges, and return on equity be approved at this time?

Recommendation: No. Initial water and wastewater rates, charges, and return on equity should not be approved at this time.

ITEM NO.

CASE

7**PAA

Docket No. 160220-WS – Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.

(Continued from previous page)

Issue 4: Should this docket be closed?

Recommendation: If no timely protest to the proposed agency action portion of this recommendation is filed with the Commission by a substantially affected person within 21 days of the date of the order, a Consummating Order should be issued. Following the expiration of the protest period with no timely protest and the issuance of a Consummating Order, the docket should be closed administratively.

ITEM NO.

CASE

8**PAA

Docket No. 160144-WU – Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC.

Critical Date(s): 60-Day Suspension Date - Waived

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: ENG: Lewis

AFD: Fletcher, Norris, Swards

ECO: Friedrich

GCL: Trierweiler

(Proposed Agency Action for Issues 2, 3, 4, 5, 6, 7, and 8.)

Issue 1: Should the transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC be approved?

Recommendation: Yes. The transfer of the water system and Certificate No. 288-W is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the Buyer's certificate and should be retained by the Buyer. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). The Seller should be responsible for all Regulatory Assessment Fees (RAFs) payable through the date of closing. The Buyer should be responsible for filing the 2016 Annual Report and all future Annual Reports, and RAFs subsequent to the date of closing (May 1, 2016).

Issue 2: What is the appropriate net book value for the Orangeland water system for transfer purposes and should an acquisition adjustment be approved?

Recommendation: The net book value (NBV) of the water system for transfer purposes is \$4,958 as of May 1, 2016. An acquisition adjustment should not be included in rate base. Within 90 days of the date of the final order, OLU should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the 2016 Annual Report when filed.

ITEM NO.

CASE

8**PAA

Docket No. 160144-WU – Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC.

(Continued from previous page)

Issue 3: Should the Commission approve Orange Land Utilities, LLC’s request to implement miscellaneous service charges?

Recommendation: Yes. OLU’s request to implement miscellaneous service charges should be approved. The charges should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 4: What are the appropriate initial customer deposits for Orange Land Utilities, LLC ?

Recommendation: The appropriate initial customer deposit for water service should be \$42 for the residential 5/8” x 3/4” meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475, F.A.C.

Issue 5: Should Orange Land Utilities, LLC be authorized to collect Non-Sufficient Funds Charges (NSF)?

Recommendation: Yes. OLU should be authorized to collect NSF charges. Staff recommends that OLU revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. OLU should provide proof of the date the notice was given within 10 days of the date of the notice.

Issue 6: Should Orange Land Utilities, LLC’s requested meter tampering charge be approved?

Recommendation: Yes. OLU’s request to implement a \$50 meter tampering charge should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. OLU should provide proof of the date notice was given within 10 days of the date of the notice.

ITEM NO.

CASE

8**PAA

Docket No. 160144-WU – Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC.

(Continued from previous page)

Issue 7: Should the Commission approve Orange Land Utilities, LLC’s request for approval of a convenience charge for customers who opt to pay their bill by debit or credit card?

Recommendation: Yes. OLU’s request for approval of a convenience charge of \$3.43 for customers who opt to pay their bill by debit or credit card should be approved. The convenience charge should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 8: Should Orange Land Utilities, LLC’s request to implement a \$5.25 late payment charge be approved?

Recommendation: Yes. OLU’s request to implement a \$5.25 late payment charge should be approved. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 9: Should this docket be closed?

Recommendation: The docket should remain open pending staff’s verification that the revised tariff sheets and customer notice have been filed by Orange Land Utilities, LLC. and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff sheets should remain in effect with the charges held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed.

ITEM NO.

CASE

9**PAA

Docket No. 160242-EU – Joint petition for approval of territorial agreement in Alachua County by Clay Electric Cooperative, Inc. and the City of Newberry.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Patronis

Staff: ECO: Ollila

GCL: Brownless

Issue 1: Should the Commission approve the proposed territorial agreement between Clay and Newberry?

Recommendation: Yes, the Commission should approve the proposed territorial agreement between Clay and Newberry.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

ITEM NO.

CASE

10**

Docket No. 160245-EI – Petition for approval of a new optional pilot LED streetlight tariff, by Florida Power & Light Company.

Critical Date(s): 02/16/17 (60-Day Suspension Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECO: Guffey

GCL: Taylor

Issue 1: Should FPL's proposed optional pilot LED streetlight tariff (LT-1) and accompanying LT-1 Agreement be suspended?

Recommendation: Yes. Staff recommends that the LT-1 tariff and accompanying LT-1 Agreement be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff and agreement proposals.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission decision on the proposed optional pilot LED streetlight tariff (LT-1) and the accompanying LT-1 Agreement.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

Critical Date(s): 8-Month Effective Date Waived Through 02/07/17

Commissioners Assigned: Brown, Graham, Patronis

Prehearing Officer: Patronis

Staff: AFD: Norris, Frank, Swards

ECO: Friedrich, Hudson, Johnson

ENG: Graves, Hill

GCL: Mapp, Crawford

(Post Hearing Decision - Participation is limited to Commissioners and staff.)

Issue 1: DROPPED.

Issue 2: Is a two-phased revenue requirement calculation appropriate in this docket?

Recommendation: No, a two-phased revenue requirement is not appropriate.

Issue 3: What is the appropriate test year for establishing rates for KWRU?

A. For Phase I, if applicable

B. For Phase II, if applicable

Recommendation: Staff recommends that adjusting the Utility's 2014 test year based on known and measurable information is reasonable and appropriate to determine a revenue requirement and rates that are representative of KWRU's current operations.

A. As addressed in Issue 2, Phase I is not applicable.

B. As addressed in Issue 2, Phase II is not applicable.

Issue 4: Is the quality of service provided by KWRU satisfactory?

Recommendation: Yes. Staff recommends that the quality of KWRU's product and the condition of the wastewater treatment facilities is satisfactory. It appears that the Utility has attempted to address customers' concerns. Therefore, staff recommends that the overall quality of service for the KWRU wastewater system in Monroe County is satisfactory.

Issue 5: What adjustments, if any, should be made to account for the audit adjustments to rate base in each of Staff's Audit Findings 1 through 7? (Partially stipulated)

Recommendation: The Utility's updated filing reflects the audit adjustments to rate base included in staff's Audit Findings 1 through 7. Therefore, no further adjustments are necessary.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 6: What is the appropriate amount of plant in service to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate test year balance of plant in service is \$16,011,903. Accordingly, plant in service should be decreased by \$381,738.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 7: What is the appropriate amount of accumulated depreciation to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate balance of accumulated depreciation to be used in setting rates is \$6,620,259. Accordingly, accumulated depreciation should be increased by \$548,574.

- A. As addressed in Issue 2, Phase I, is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 8: What is the appropriate amount of CIAC to be used in determining the rate base that is used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of contributions-in-aid-of-construction (CIAC) to be used in setting rates is \$10,021,909. Accordingly, CIAC should be increased by \$372,032.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 9: What is the appropriate amount of accumulated amortization of CIAC to be used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of accumulated amortization of CIAC to be used in setting rates is \$3,748,595. Accordingly, accumulated amortization of CIAC should be increased by \$733,654.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 10: What is the appropriate amount of construction work in progress (CWIP) to be used for setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Consistent with previously recommended plant adjustments, the appropriate amount of CWIP to be used for setting rates is \$0, as the plant improvements are included in staff's recommended plant in service total.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 11: What is the used and useful (U&U) percentage of the Utility's wastewater treatment plant after the treatment plant expansion is placed into service?

Recommendation: The wastewater treatment plant should be considered 71.5 percent used and useful based upon a projected demand of 0.606 million gallons per day (MGD) in 2021. To reflect the appropriate U&U percentage, staff recommends that the appropriate non-used and useful reduction to rate base is \$1,440,804. Corresponding adjustments should be made to decrease net depreciation expense and property taxes by \$117,138 and \$10,526, respectively.

Issue 12: What is the appropriate working capital allowance?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate working capital allowance is \$923,671. Accordingly, working capital should be decreased by \$534,599.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 13: What is the appropriate rate base? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$2,601,197.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 14: What is the appropriate capital structure to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amounts of long-term debt, equity, and customer deposits to include in the capital structure are \$3,500,000, \$1,765,366, and \$162,972, respectively.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 15: What is the appropriate return on equity? (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Based on the Commission leverage formula currently in effect and an equity ratio of 33.53 percent, the appropriate return on equity (ROE) is 11.16 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 16: What is the appropriate cost of long-term debt?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate cost rate for long-term debt is 4.00 percent.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 17: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year period? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 6.12 percent.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 18: Should the members of Harbor Shores Condominium Unit Owners Association, Inc. (Harbor Shores) be classified as Residential customers or a General Service customer?

Recommendation: Staff recommends that Harbor Shores be classified as a general service customer, but should continue to be billed a base facility charge (BFC) based on 69 equivalent residential connections (ERCs) and a gallonage charge with a 10,000 gallon cap per ERC.

Issue 19: What are the appropriate bills and gallons to use to establish test year revenues and rates? (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate bills and gallons to use to establish test year revenue and rates are reflected in Stipulation 9, which addresses test year revenues.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 20: What is the appropriate amount of miscellaneous revenues to be included in test year revenues and rates? (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of miscellaneous revenues to be included in test year revenue and rates is \$72,619, as reflected in Stipulation 9 which addresses test year revenues.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 21: What is the appropriate amount of test year revenues for KWRU's wastewater system? (Fall-out) (Partially stipulated)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of test year revenues are \$1,534,799, as reflected in Stipulation 9. Accordingly, KWRU's reflected test year revenues of \$1,554,861 should be reduced by \$20,062.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 22: What adjustments, if any, should be made to account for the audit adjustments in each of Staff’s Audit Findings 3, 4, 5, 10, and 11 to operating expenses? (Stipulations 3, 4, 5, and 10)

Approved Stipulations: O&M expenses (contractual services-other) should be increased by \$1,200 for survey fees based on the Staff Audit Finding 3. Test year amortization of CIAC should be decreased by \$14,003 based on Staff Audit Finding 4. Depreciation expense should be decreased by \$5,489, based on Staff Audit Finding 5. O&M expenses should be decreased by \$4,512, based on Staff Audit Finding 10 and \$6,276, based on Staff Audit Finding 11. The stipulated adjustments to operating expenses are set forth in Table 22 below.

Table 22-1
Stipulated Adjustments to Operating Expense

Stip.	Audit Finding	O&M Expense	Depreciation Expense	CIAC Amortization Expense	Total
3	3	\$1,200	\$0	\$0	\$1,200
4	4	0	0	14,003	14,003
5	5	0	(5,489)	0	(5,489)
10	10	(4,512)	0	0	(4,512)
10	11	(6,276)	0	0	(6,276)
	Total	(\$9,588)	(\$5,489)	\$14,003	(\$1,074)

Issue 23: What are the appropriate annual levels of O&M expenses for implementing advanced wastewater treatment (AWT)?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate level of O&M expenses to reflect the implementation of AWT operations is \$1,647,853. Accordingly, pro forma O&M expense should be decreased by \$341,471.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 24: What adjustments, if any, should be made to pro forma contractual services accounting and engineering fees?

Recommendation: Contractual services-accounting expense should be decreased by \$12,350. No adjustment is necessary for contractual services-engineering expense.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 25: What adjustment, if any, should be made to KWRU’s test year expenses for management fees charged by Green Fairways?

Recommendation: Contractual services-management expense should be reduced by \$60,000, as it is duplicative in nature.

Issue 26: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$430,828. This expense should be amortized over four years for an annual expense of \$107,707. Based on the Utility’s updated filing, the annual amortization of rate case expense should be increased by \$9,045.

Issue 27: What is the appropriate amount and accounting treatment of accounting fees incurred by the utility to restate its 2007 to 2012 Annual Reports?

Recommendation: The Utility’s requested 5-year amortization of \$63,055 for restatement of the 2007 to 2012 Annual Reports should be disallowed. Staff’s adjustments to reflect annualized 2016 levels in Issue 23 effectively negated all test year adjustments; therefore, no further adjustment is necessary.

Issue 28: What is the appropriate amount and accounting treatment of fees associated with the legal challenge of KWRU’s FDEP Permit Numbers FLA014951-012-DWIP, 18490-020, and 18490-021 for rate-setting purposes?

A. For Phase I, if applicable

B. For Phase II, if applicable

Recommendation: The appropriate amount of fees associated with the legal challenge of KWRU’s DEP permits is \$496,973, and it should be amortized over five years. The five-year amortization results in test year expense of \$99,395, which increases the requested amortization amount by \$3,908.

A. As addressed in Issue 2, Phase I is not applicable.

B. As addressed in Issue 2, Phase II is not applicable.

Issue 29: What is the appropriate amount of depreciation expense to be used in setting rates?

A. For Phase I, if applicable

B. For Phase II, if applicable

Recommendation: The appropriate amount of depreciation expense should be \$222,726. Accordingly, depreciation expense should be decreased by \$156,229.

A. As addressed in Issue 2, Phase I is not applicable.

B. As addressed in Issue 2, Phase II is not applicable.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 30: What is the appropriate amount of taxes other than income to be used in setting rates?

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The appropriate amount of taxes other than income (TOTI) should be \$199,457. Accordingly, TOTI should be decreased by \$50,884.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 31: What is the appropriate revenue requirement? (Fall-out)

- A. For Phase I, if applicable
- B. For Phase II, if applicable

Recommendation: The revenue requirement should be \$2,436,418.

- A. As addressed in Issue 2, Phase I is not applicable.
- B. As addressed in Issue 2, Phase II is not applicable.

Issue 32: What are the appropriate rate structures and rates for KWRU's wastewater system?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4 of staff's memorandum dated January 26, 2017.

Issue 33: What is the appropriate rate for KWRU's reuse service?

Recommendation: The appropriate rate for KWRU's reuse service is \$1.34 per 1,000 gallons. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 34: What are the appropriate miscellaneous service charges to be charged by KWRU?

Recommendation: Staff recommends the miscellaneous service charges shown in Table 34-7 of staff's memorandum dated January 26, 2017, should be approved for KWRU. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. KWRU should provide proof of the date notice was given no less than 10 days after the date of the notice.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 35: Should KWRU be authorized to collect Non-Sufficient Funds (NSF) charges? (Stipulation 11)

Approved Stipulation: As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- a. \$25, if the face value does not exceed \$50,
- b. \$30, if the face value exceeds \$50 but does not exceed \$300,
- c. \$40, if the face value exceeds \$300,
- d. Or five percent of the face amount of the check, whichever is greater.

Issue 36: Should KWRU request to implement a late payment charge be approved?

Recommendation: The Utility's request to implement a late payment charge of \$9.50 should be approved. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 37: Should KWRU be authorized to collect a Lift Station Cleaning charge? (Stipulation 12)

Approved Stipulation: KWRU should be authorized to collect a monthly lift station cleaning charge of \$1,462 from the Monroe County Detention Center.

Issue 38: If the Commission approves a rate increase for KWRU, when and under what circumstances should it be implemented?

Recommendation: The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 39: Should any portion of the implemented PAA rates be refunded? If so, how should the refund be calculated, and what is the amount of the refund?

Recommendation: Yes. The proper refund amount should be calculated by using the same data used to establish final rates, excluding adjustments that do not relate to the period that PAA rates are in effect. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in a PAA refund of 7.43 percent. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C.

Issue 40: Should the Utility's approved service availability policy and charges be revised? (Stipulation 14)

Approved Stipulation: The appropriate plant capacity charge should remain unchanged at \$2,700 per ERC.

Issue 41: DROPPED.

Issue 42: Did KWRU bill and collect revenues in accordance with its approved tariffs? If not, what is the appropriate remedy?

Recommendation: Staff recommends that a new docket be opened, and a full audit and investigation be conducted in regards to KWRU's billing practices in order to determine if any orders, rules, or statutes were violated by the Utility. Further, the Utility should be put on notice that failure to comply with Commission orders, rules, or statutes will subject the Utility to show cause proceedings and fines of up to \$5,000 per day per violation for each day the violation continues or revocation of its certificate as set forth in Section 367.161, F.S.

ITEM NO.

CASE

11

Docket No. 150071-SU – Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.

(Continued from previous page)

Issue 43: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: KWRU’s wastewater rates should be reduced as shown on Schedule No. 4 of staff’s memorandum dated January 26, 2017, to remove \$112,782 of wastewater rate case expense, grossed up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. KWRU should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If KWRU files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 44: 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? (Stipulation 16)

Approved Stipulation: KWRU shall notify the Commission, within 90 days of the order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts associated with the Commission-approved adjustments.

Issue 45: Should this docket be closed?

Recommendation: No. This docket should remain open for staff’s verification that the Utility has completed the recommended refunds, the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that KWRU has notified the Commission in writing that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.