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ROBERT M. C. ROSE, (1924-2006)

September 20, 2007
VIA HAND DELIVERY

Ann Cole, Commission Clerk
Division of the Commission Clerk
and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

070293 R.v.n

RECEIVED-FPSC
07 SEP 20 PM 4:03
COMMISSION
CLERK

Re: KW Resort Utilities Corp.; Docket No. ~~070239~~-SU
Our File No. 34000.05

Dear Ms. Cole:

Attached in accordance with the requirements of Commission Rule 25-30.446(5) is a draft of the Initial Customer Notice to be distributed to the customers of the Utility in the above-referenced matter. In accordance with the Rule, we are submitting this for preapproval by the Commission staff. Please have the staff review it and let me know of approval as quickly as possible.

CMP _____ Also attached in accordance with the requirements of Rule 25-22.0407(4) is a rate case Synopsis, which we have prepared in accordance with the Rule. We are hereby requesting preapproval from the
COM _____ Commission staff. Please have the staff review it and let me know of that approval as quickly as possible.

CTR _____ Time is of the essence with regard to approval since we need to get this customer notice out in
ECR _____ relatively short order. Should you have any questions in this regard, please let me know.

GCL 1 _____

OPC _____

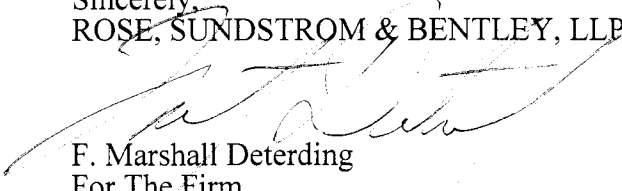
RCA _____

SCR _____

SGA FMD/tms _____

SEC _____ cc: Troy Rendell
Bart Fletcher
OTH _____ Cheryl Bulecza-Banks
Gerald Edwards
Ralph Jaeger, Esq.
William Smith, Jr.
Doug Carter
Paul DeChario, CPA
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Sincerely,
ROSE, SUNDBSTROM & BENTLEY, LLP



F. Marshall Deterding
For The Firm

DOCUMENT NUMBER-DATE

08627 SEP 20 08

FPSC-COMMISSION CLERK

KW RESORT UTILITIES CORP.

APPLICATION FOR INCREASE IN WASTEWATER RATES

DOCKET NO. 070293-SU

SYNOPSIS

DOCUMENT NUMBER-DATE

08627 SEP 20 6

FPSC-COMMISSION CLERK

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I. Purpose

In accordance with the Florida Public Service Commission's Rule 25-22.0407 regarding Notice of and Public Information on General Rate Increase Requests; a synopsis of the rate request must be prepared and distributed by KW Resort Utilities Corporation (the "Utility" or "KW Resort") in Monroe County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Interim and Final Rates

On August 3, 2007, KW Resort Utilities Corporation filed an application with the Florida Public Service Commission ("Commission") for increased wastewater rates for its customers in Monroe County. The application is assigned Docket No. 070293-SU and September 12, 2007, was established as the official date of filing.

The utility has requested a permanent revenue increase for its wastewater system of \$601,684 or 57.51%. The requested increase would produce annual revenues of \$1,647,998 for its operations. In addition to requesting an increase in its final rates, KW Resort Utilities Corporation has requested that the Commission approve interim rates designed to generate annual wastewater revenues of \$1,326,943. This represents a proposed revenue increase of \$280,632 or 26.82%. If approved, the interim rates are subject to being refunded, provided the Commission finds that the utility was not entitled to collect such rates pending the final Commission decision. A schedule of the utility's present, and proposed interim and final rates follows:

SCHEDULE OF PRESENT AND PROPOSED INTERIM WASTEWATER RATES:

<u>Class/Meter Size</u>	<u>Present Rates(1)</u>	<u>Proposed Interim Rates</u>
Residential		
Flat Rate - All meter sizes	\$40.39	\$51.22
General		
5/8" x 3/4"	\$30.73	\$38.97
1"	\$74.72	\$94.76
1 1/2"		
2"	\$229.52	\$291.08
3"	\$454.63	\$576.57
4"	\$707.94	\$897.81
6"		
8"		
8" Turbo		
Gallonage Charge (per 1000 gallons)	\$3.40	\$4.31

Reuse of Reclaimed Water		
Gallonge Charge (per 1000 gallons)	\$0.45	\$0.57
Private Lift Station Owners		
5/8" x 3/4"	\$32.51	\$41.23
1"	\$74.72	\$94.76
2"	\$229.52	\$291.08
Gallonge Charge (per 1000 gallons)	\$2.74	\$3.47
Bulk Wastewater		
Total Bulk Rate (Safe Harbor Marina)	\$1,400.58	\$1,776.23
Total Bulk Rate (South Stock Island Marinas) (Peninsular Marina)	\$1,223.86	\$1,552.10
General Service Multiple Agreement (Per ERC)		
Large Swimming Pool (x 4 ERCs)	\$161.57	\$204.90
Small Swimming Pool (x 1.18 ERCs)	\$47.67	\$60.46
Temporary Service Agreement Sweetwater Environmental, Inc. Dewatering Sludge Loads per 1,000 gallons (127,100 gallons minimum)		
	\$5.73	\$7.27
	\$728.28	\$924.02

SCHEDULE OF PROPOSED FINAL RATES

<u>Class/Meter Size</u>	<u>Proposed Final Rates</u>
Residential	
All meter sizes	\$35.08
Gallonge Charge (per 1000 gallons) 10,000 gallon maximum	\$4.49
General	
5/8" X 3/4"	\$35.08
1"	\$87.70
1 1/2 "	\$175.40
2"	\$280.64
3"	\$526.20
4"	\$877.00

6"	\$1,754.00
8"	\$2,806.40
8" Turbo	\$3,157.20
Charge per 1,000 gallons	\$5.27

Master Metered (Multi Residential and Multi Commercial)	
5/8" x 3/4"	\$35.08
1"	\$87.70
1 1/2"	\$175.40
2"	\$280.64
3"	\$526.20
4"	\$877.00
Gallonage Charge (per 1000 gallons)	\$5.27
Reuse of Reclaimed Water	
Gallonage Charge (per 1000 gallons)	\$0.69
Private Lift Station Owners	
5/8" x 3/4"	\$35.08
1"	\$87.70
2"	\$280.64
Gallonage Charge (per 1000 gallons)	\$5.27
Bulk Wastewater	
Total Bulk Rate (Safe Harbor Marina)	\$1,216.57
Total Bulk Rate (South Stock Island Marinas) (Peninsular Marina)	\$1,062.93
General Service Multiple Agreement (Per ERC)	
Large Swimming Pool (x 4 ERCs)	\$140.32
Small Swimming Pool (x 1.18 ERCs)	\$41.39
Temporary Service Agreement	
Sweetwater Environmental, Inc.	
Dewatering Sludge Loads per 1,000 gallons (127,100 gallons minimum)	\$5.27 \$669.82

III. General Reasons for Rate Request

KW Resort Utilities Corporation requires 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 a return on the utility's investment in used and useful property for public use. The last general rate increase for KW Resort Utilities Corporation's wastewater system was based on a 1983 calendar year. Since that time, the utility has been required to make substantial changes to its wastewater operations and has incurred substantial additional operating costs as a result of those requirements. In particular, KW Resort Utilities Corporation has been required to undertake re-sleeving of a substantial portion of its wastewater collection system and substantial refurbishment because of age and deterioration of the existing facilities. In addition, the utility, like all wastewater utilities located within the Florida Keys, is required to institute advanced waste treatment on their wastewater system and the utility has incurred substantial costs in doing so, and operating costs will also increase as a result of those changes.

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. What is the test year net operating income?
3. What is the test year cost of capital?
4. What is the test year revenue requirement?
5. 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. A panel of three Commissioners will hear this rate case. The Commissioners will make a final decision on all of the issues in the case.
2. The Commissioners are assisted by a **Commission Staff**, which includes attorneys, engineers, accountants, consumer affairs specialists, rate and financial analysts.
3. The **Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Commission. Public Counsel also has a staff of attorneys, accountants, rate and financial analysts. The Public Counsel may monitor the case or may 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 and 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. **Intervenors** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor 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. The intervenor 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 company, supplies and expenses, taxes, construction, depreciation and all operating and financial matters that are crucial to a decision. The utility will also be requested to 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 and its staff review the application, and the Commission determines whether interim rates are appropriate to be collected during the pendency of the rate case. If interim rates are authorized and charged, those rates are subject to refund with interest pending the Commission's final decision in the case.

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 staff auditors issue a report of their findings which is filed with the Commission. The 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.

Hearings

KW Resort has requested that the Commission hold formal public hearings to decide this case. The hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings. These hearings are scheduled in the local service area for the customers' convenience. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel usually participates in major rate cases, 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.

Witnesses from the utility, the Commission staff, the Public Counsel and intervenors 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. When the Commission makes its final decision there will be a "vote sheet" which is a listing of all the issues requiring a vote by the Commissioners. There are many issues in a major 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 decisions, the basis for the decisions, the new rates, 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 may appeal the Commission's decision to the courts.

VI. KW Resort Utilities Corporation's Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in KW Resort Utilities Corporation's rate case:

<u>Schedule Item</u>	<u>Due Dates</u>
Staff Recommendation on Interim Rates	September 13, 2007
Agenda Conference on Interim Rates	September 25, 2007
Order on Interim Rates	October 15, 2007
Intervenors Testimony Due	December 3, 2007
Staff Testimony Due	December 17, 2007
Rebuttal Testimony Due	January 11, 2008
Prehearing Conference	January 24, 2008
Technical and Service Hearings	February 6 and 7, 2008

Briefs Filed	February 28, 2008
Staff's Final Recommendation	April 10, 2008
Agenda Conference on Final Rates	April 22, 2008

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 offices in Tallahassee. The MFRs filed by the utility are also available for inspection at the utility's office as follows:

KW Resort Utilities Corporation	Business Hours: 7 a.m. - 6:30 p.m.
6450 E. Junior College Road	Monday through Sunday
Key West, FL 33040	Phone: (305) 294-9578

Customer comments concerning KW Resort Utilities Corporation's service and its request for an increase in rates should be addressed to the Director of the Division of Records and Reporting at the Florida Public Service Commission, and a copy should be mailed to the utility at the following addresses:

Florida Public Service Commission	KW Resort Utilities Corp.
Director, Division of Records and Reporting	6450 E. Junior College Road
2540 Shumard Oak Boulevard	Key West, Florida 33040
Tallahassee, Florida 32399-0870	

Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following phone number 1-800-342-3552.

All comments should include reference to Commission Docket No. 070293-SU which has been assigned to this case.

Initial Customer Notice
KW Resort Utilities Corporation
PSC Docket No. 070293-SU
Date Issued: _____, 2007

1. Notice is hereby given, pursuant to Rule 25-22.0407, Florida Administrative Code, that KW Resort Utilities Corporation has filed a petition for a rate increase with the Florida Public Service Commission and the official date of filing for that Petition has now been established as September 12, 2007. That request for increased rates relates to all of the Utility's wastewater customers. The general reason for the requested increase is that the Utility has been required to undertake substantial refurbishment of the existing wastewater treatment plant; re-sleeving a substantial portion of its existing wastewater collection system; and instituting advanced waste treatment as is being required of all utilities within the Florida Keys. Not only has the Utility been required to incur these substantial additional costs to make these investments, but the Utility will also incur significant increases in annual operating expenses as a result of the change to advanced waste treatment. In addition, the Utility has requested that the Commission convert its existing flat rate structure to a base charge and gallonage charge rate structure, as most utilities utilize. This "base facility charge" rate structure provides a better incentive for conservation and more accurately imposes costs on larger users. A rate increase is necessary in order for the Utility to be given an opportunity to recover those additional expenses and to earn a fair return on its investment.

2. Copies of the petition, minimum filing requirements, and rate case synopsis are available for inspection during normal office hours at the utility's office as follows:

KW Resort Utilities Corporation
6450 E. College Road
Key West, FL 33040
Phone: (305) 294-9578

Business Hours: 7:00 a.m. to 6:30 p.m.
Monday through Sunday

3. The initial tentative schedule established for the case, including dates, times and locations of hearings, is as follows:
Commission Conference on interim rates - September 25, 2007
Order Disposing of Request for Interim Rates - October 15, 2007
Final Hearing on Rates - February 6 and 7, 2008
Staff Recommendation due - April 10, 2008
Commission Conference on Final Rates - April 22, 2008

4. Listed below are the Utility's present and interim proposed water rates. Separately listed are the final proposed rates.

<u>Class/Meter Size</u>	<u>Present Rates(1)</u>	<u>Proposed Interim Rates</u>
Residential		
All meter sizes	\$40.39	\$51.22
General		
5/8" x 3/4"	\$30.73	\$38.97
1"	\$74.72	\$94.76
1 1/2"		
2"	\$229.52	\$291.08
3"	\$454.63	\$576.57
4"	\$707.94	\$897.81
6"		
8"		
8" Turbo		
Gallonage Charge (per 1000 gallons)	\$3.40	\$4.31
Master Metered (Multi Residential and Multi Commercial)		
Flat Rate	\$40.39	\$51.22
Reuse of Reclaimed Water		
Gallonage Charge (per 1000 gallons)	\$0.45	\$0.57
Private Lift Station Owners		
5/8" x 3/4"	\$32.51	\$41.23
1"	\$74.72	\$94.76
2"	\$229.52	\$291.08
Gallonage Charge (per 1000 gallons)	\$2.74	\$3.47
Bulk Wastewater		
Total Bulk Rate (Safe Harbor Marina)	\$1,400.58	\$1,776.23
Total Bulk Rate (South Stock Island Marinas) (Peninsular Marina)	\$1,223.86	\$1,552.10
General Service Multiple Agreement (Per ERC)		
Large Swimming Pool (x 4 ERCs)	\$161.57	\$204.90

Small Swimming Pool (x 1.18 ERCs)	\$47.67	\$60.46
Temporary Service Agreement Sweetwater Environmental, Inc. Dewatering Sludge Loads per 1,000 gallons (127,100 gallons minimum)	\$5.73 \$728.28	\$7.27 \$924.02

<u>Class/Meter Size</u>	<u>Proposed Final Rates</u>
5/8" X 3/4"	\$35.08
1"	\$87.70
1 1/2"	\$175.40
2"	\$280.64
3"	\$526.20
4"	\$877.00
6"	\$1,754.00
8"	\$2,806.40
8" Turbo	\$3,157.20
Charge per 1,000 gallons	\$5.27
Master Metered (Multi Residential and Multi Commercial)	
5/8" x 3/4"	\$35.08
1"	\$87.70
1 1/2"	\$175.40
2"	\$280.64
3"	\$526.20
4"	\$877.00
Gallonage Charge (per 1000 gallons)	\$5.27
Reuse of Reclaimed Water	
Gallonage Charge (per 1000 gallons)	\$0.69
Private Lift Station Owners	
5/8" x 3/4"	\$35.08
1"	\$87.70
2"	\$280.64
Gallonage Charge (per 1000 gallons)	\$5.27
Bulk Wastewater	
Total Bulk Rate (Safe Harbor Marina)	\$1,216.57
Total Bulk Rate (South Stock Island Marinas) (Peninsular Marina)	\$1,062.93
General Service Multiple Agreement (Per ERC)	
Large Swimming Pool (x 4 ERCs)	\$140.32
Small Swimming Pool (x 1.18 ERCs)	\$41.39
Temporary Service Agreement Sweetwater Environmental, Inc. Dewatering Sludge Loads per 1,000 gallons (127,100 gallons minimum)	\$5.27 \$669.82

5. Any written comments regarding the Utility's service or the proposed rates and charges should be addressed to: Director, Division of the Commission Clerk and Administrative Services, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870 and should identify the Docket Number assigned to the proceeding. Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following toll free number: 1-800-342-3552.

6. The Utility has not requested a change in its Service Availability Charges as part of its rate request, however, the Commission will be reviewing the Utility Service Availability Charges in the pending separate case under Docket No. 070293-SU and the Commission may adjust those charges if the Commission deems that appropriate.