



Florida Public Service Commission

SPECIAL REPORT

OCTOBER 2008

Application for an increase in wastewater rates in Monroe County by

K W Resort Utilities Corp.

DOCKET NO. 070293-SU

On August 3, 2007, K W Resort Utilities Corp. (K W Resort) filed an application for an increase in wastewater rates with the Florida Public Service Commission (PSC or Commission). K W Resort provides wastewater service to approximately 1,556 customers in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority. Commission staff has audited the utility's records for compliance with applicable rules and orders. A Commission staff engineer has also conducted a field investigation of K W Resort's plant and service area.

QUESTIONS & ANSWERS

1 Is there an opportunity for public input on this rate case?

Yes. As part of the evaluation process for K W Resort's rate request, the Commission will conduct two customer service hearings to allow customer feedback about the utility and the rate setting process. The

CUSTOMER HEARINGS

Wednesday, October 1, 2008

10:00 a.m. and 6:00 p.m.

Old City Hall

City Commission Chambers

510 Greene Street

Key West, Florida

Commissioners take customer comments, written and oral, into consideration in reaching a decision. Also, a technical hearing involving expert witnesses will be held between the two customer service hearings and on October 2, 2008, if needed.

2 Why is K W Resort requesting a rate increase?

K W Resort is requesting a rate increase to earn a fair rate of return on its investment and to cover increasing operating costs.

The Commission suspended the utility's proposed rates and granted interim rates pending the determination of the appropriate

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To check if a meeting has been canceled, look on the Commission's Web site (www.floridapsc.com) under the Hot Topics link on the home page. Cancellation can also be confirmed by calling the Office of the General Counsel at 850-413-6199.

final rates. The appropriate final rates will be determined after full evidentiary hearings on the utility's proposed rate increase.

3 When was K W Resort's last approved rate increase?

The utility's last rate case was in 1983.

4 Presently, how much is the average monthly wastewater bill for residential customers?

The average monthly wastewater bill for residential customers is \$47.61.

5 What if I can't make the customer hearing or prefer not to speak? Are there other ways to comment on the issue?

Any person who wants to comment or provide information to the Commission regarding this matter may do so orally at the hearing or in writing. Correspondence will be placed in the docket file. Written comments should be mailed to:

*Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850*

*The PSC will also accept faxes
and e-mails.*

Fax number: 1-800-511-0809

*Internet e-mail address:
contact@psc.state.fl.us*

Please be sure to include the docket number, 070293-SU.

Customer comments become part of the official record for the case and are taken into consideration by the Commissioners in reaching their decision. In accordance with Florida Statutes, the PSC will also consider the utility's quality of service and other matters. If you have questions, call the PSC's Division of Regulatory Compliance and Consumer Assistance at 1-800-342-3552.

6 Who can answer technical or legal questions?

For technical questions, contact:

Lydia Roberts
(850) 413-6877

Bart Fletcher
(850) 413-7017

For legal questions, contact:

Ralph Jaeger
(850) 413-6234

7 Where on the Internet can I obtain more detailed information?

Detailed docket information is available on the PSC Web site at www.floridapsc.com. Click on Dockets and Filings/Dockets and then type in the docket number, 070293.

8 When will the PSC make a decision?

The PSC staff is scheduled to file a recommendation with the Commission on December 4, 2008. The Commissioners are expected to vote on this matter at the December 16, 2008 Agenda Conference.

P S C C O M M I S S I O N E R S



COMMISSIONER
Nancy Argenziano



COMMISSIONER
Lisa Polak Edgar



CHAIRMAN
Matthew M. Carter II



COMMISSIONER
Katrina J. McMurrian



COMMISSIONER
Nathan A. Skop

Matthew Mark Carter II was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006 and was subsequently elected Chairman by his fellow commissioners for the years 2008 and 2009. Chairman Carter serves on the National Association of Regulatory Utility Commissioners (NARUC) Committees on Water, Critical Infrastructure, and International Relations. He is also active in NARUC activities designed to improve regulated companies' minority business procurement practices. Chairman Carter sought appointment to the Committee on Water because he recognizes the stress that Florida's rapid population growth is placing on existing water resources. He understands that water and wastewater utility regulation has an important role in the development of future conservation efforts and water supply alternatives in Florida, as well as the state's public health and economic vitality. Chairman Carter was born in Douglas, Georgia and graduated from Atkinson County High School (in Pearson). He volunteered for the United States Army and served in the Presidential Honor Guard in Washington, D.C. and the First Armored Division in Germany. After being honorably discharged from the Army, Chairman Carter attended Tallahassee Community College and Florida State University graduating with a bachelor of science in mass communications. After a tour of duty with the 124th Infantry (U.S. Army Reserve) in the Panama Canal Zone, Chairman Carter returned to Tallahassee where he set up a public relations firm that, for over 10 years, concentrated on political campaigns. He then worked as a financial consultant for Waddell & Reed, Florida Professional Services Group, and Merrill Lynch. Chairman Carter left Merrill Lynch to complete law school at the Florida State University College of Law. After graduation, he became a member of the Florida Bar and specialized in business law. Chairman Carter's government leadership includes service as the Director of the Division of Land Sales, Deputy Director of the Department of Management Services, and multiple senior staff positions with the Florida House of Representatives. Chairman Carter holds a master's degree in theological science from Smith Chapel Bible University and is currently pastor of the Beulah Hill Missionary Baptist Church in Gretna, Florida. Chairman Carter is married and has two children.

Lisa Polak Edgar was appointed to the Florida Public Service Commission for a four-year term beginning January 2005. She served as Chairman from January, 2006 to January, 2008 and participated as a member of the Florida Energy Commission and the Governor's Action Team on Energy and Climate Change. Commissioner Edgar is a member of the National Association of Regulatory Utility Commissioners Board of Directors and the Telecommunications Committee. She serves on the Federal Communications Commission Universal Service Joint Board and the U.S. Department of Transportation Technical Pipeline Safety Standards Committee. She is a member of Leadership Florida, Class XXIV. Prior to joining the PSC, Commissioner Edgar served as Deputy Secretary for the Florida Department of Environmental Protection (DEP). Her responsibilities at DEP included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, geological survey, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Commissioner Edgar represented the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004, and on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. During her career in public service, Commissioner Edgar has also served as chief analyst on Environmental Policy for the Office of Policy and Budget, Executive Office of the Governor; senior cabinet aide in the Department of Agriculture and Consumer Services; staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries; completed the Harvard Kennedy School of Government Program for Senior Executives in State and Local Government; and co-taught a special topics graduate course on the Everglades at Florida A&M University. Commissioner Edgar received a Bachelor of Science and a Juris Doctorate from Florida State University and is a member of the Florida Bar. She studied in London during her undergraduate education and in Yugoslavia during law school. She and her husband are raising their two young children in Tallahassee.

Katrina J. McMurrian was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four-year term beginning January 2006. Commissioner McMurrian serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs, the Committee on Electricity, the Subcommittee on Education and Research, the

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PSC Commissioners *continued*

FERC/State Smart Grid Collaborative, and the FERC/State Competitive Procurement Collaborative. She also serves as Vice Chair of the Subcommittee on Nuclear Issues – Waste Disposal and on the Executive Committee of the Nuclear Waste Strategy Coalition. In the 11 years prior to appointment, Commissioner McMurrian developed extensive experience in regulatory policy issues involving energy, water, and telecommunications. From 2001 to 2005, Commissioner McMurrian served consecutive terms as Chief Advisor to Commissioners Palecki and Davidson, advising them on all Commission proceedings and policy matters. Prior to becoming a Chief Advisor, Commissioner McMurrian managed the State Liaison Section of the Commission's Division of Policy Analysis & Intergovernmental Liaison. She consulted with state and local government agencies on issues such as "black water," reuse, universal service, and electric reliability. Commissioner McMurrian also served as the Commission's primary liaison on all nuclear energy matters for over three years. Additionally, she was instrumental in drafting the Commission's positions on electric industry restructuring. In recognition of her work on federal energy policy, Commissioner McMurrian was a recipient of the PSC Extraordinary Accomplishment Award in 1999 and the PSC Outstanding Achievement Award in 1997. A Northwest Florida native, Commissioner McMurrian received a bachelor's degree in finance from Florida State University in 1994 and an MBA from FSU in 1998.

Before her appointment to the Florida Public Service Commission in May of 2007, **Commissioner Argenziano** served more than 10 years in the Florida legislature. She was first elected to the Florida House of Representatives in 1996 (District 43) and served there until her election in 2002 to the Florida Senate (District 3). While serving in the legislature, she served on many different committee and council assignments including Environmental Preservation, Governmental Oversight (Chair), Comprehensive Planning, Criminal Justice (Chair), Criminal Justice Appropriations, Regulated Industries, Rules and Calendar, Agriculture (Chair), Administrative Procedure, Public Service Commission Oversight, Ethics and Elections, Health Policy, Elder Affairs (Chair), Healthcare Council (Chair), Crime and Punishment, Water Resource Management, and Utilities and Communication. Senator Argenziano's legislative career has focused on protection of the elderly and other vulnerable citizens, resource protection, and full participation of the citizens in their government. Notable legislation which she has sponsored includes nursing home reform, "local sources first" (water use), two pharmacy discount programs, a law providing for clearing the courtroom for victim sex crime testimony, enhanced penalties for crimes against the elderly, Public Counsel representation in utility rates cases, protection of our springs, a "scambusters" program for the protection of consumers, and protection for our children from sexual predators (the Jessica Lunsford Act), just to mention a few. Commissioner Argenziano has one son, Joseph, who has proudly served his country for 14 years in the United States Air Force. Commissioner Argenziano is a member of the National Association of Regulatory Utility Commissioners (NARUC).

Commissioner Nathan A. Skop was appointed to the Florida Public Service Commission by Governor Charlie Crist for a four-year term beginning January 2007. Commissioner Skop currently serves on the National Association of Regulatory Utility Commissioners (NARUC) Committee on Consumer Affairs and the Committee on Energy Resources and the Environment. Prior to his appointment, Commissioner Skop gained over thirteen years of engineering, manufacturing, operations, program management, and financial management experience working for Fortune 500 corporations. Commissioner Skop began his professional career as a nuclear project engineer with the Electric Boat Division of General Dynamics Corporation in Groton, Connecticut. As a member of the Advanced Propulsion Plant Technology Program he participated in the design, integration and qualification testing of nuclear submarine propulsion system turbomachinery for the USS SEAWOLF (SSN 21), and participated in the initial criticality and power range testing of the USS SANTA FE (SSN 763) nuclear submarine reactor plant. Commissioner Skop continued his professional career as a specialist engineer with the Propulsion Systems and Customer Service divisions of the Boeing Commercial Airplane Group in Seattle, Washington. While serving in these positions he participated in the design, integration, and test of Engine Build-Up installations for Pratt & Whitney engines installed on Boeing 777 aircraft, and supported General Electric aircraft engines installed on Boeing 747, 767, and 777 aircraft. Prior to attending law school, Commissioner Skop gained substantial renewable energy and energy industry experience as a business manager with FPL Energy (an unregulated subsidiary of FPL Group) through managing nine renewable wind energy projects located in Altamont Pass, California, and a coal fired co-generation plant located in Stockton, California. Commissioner Skop's extensive power generation experience includes renewable energy (wind and solar), fossil fuel (combined cycle, gas turbine, co-generation, and coal), and nuclear power. Commissioner Skop graduated from the University of Florida with a BS in Aerospace Engineering in 1991. He later earned an MBA with concentrations in financial management and investment analysis from Rensselaer Polytechnic Institute in 1996, and a JD from the University of Florida Levin College of Law in 2006. Commissioner Skop also holds a graduate level certificate in environmental management from the Hartford Graduate Center and attended an executive education program focusing on mergers and acquisitions at the Wharton School of Business at the University of Pennsylvania. Commissioner Skop is a member of the Florida Bar and recently had a case comment published in the Journal of Technology Law & Policy for the Levin College of Law at the University of Florida. Commissioner Skop was raised in Sanford, Florida. Prior to relocating to Tallahassee to serve in his current position, Commissioner Skop previously lived in Gainesville and Palm Beach Gardens, Florida.

K W Resort Utilities Corp.**Wastewater Monthly Service Rates**

	Rates Prior to Filing	Utility's Requested Interim	Commission Approved Interim	Utility's Requested Final
Residential				
Flat Rates	\$ 40.39	\$ 51.22	\$ 47.61	
Base Facility Charge All Meter Sizes:				\$ 35.08
Gallage Charge, per 1,000 gallons (10,000 gallon cap)				\$ 4.49
General Service				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$ 30.73	\$ 38.97	\$ 36.21	\$ 35.08
1"	\$ 74.72	\$ 94.76	\$ 88.06	\$ 87.70
1-1/2"				\$ 175.40
2"	\$ 229.52	\$ 291.08	\$ 270.50	\$ 280.64
3"	\$ 454.63	\$ 576.57	\$ 535.80	\$ 526.20
4"	\$ 707.94	\$ 897.81	\$ 834.35	\$ 877.00
6"				\$ 1,754.00
8"				\$ 2,806.40
8" Turbo				\$ 3,157.20
Gallage Charge, per 1,000 gallons	\$ 3.40	\$ 4.31	\$ 4.01	\$ 5.27
Multi-Residential and Commercial				
Flat Rate	\$ 40.39	\$ 51.22	\$ 47.61	
Base Facility Charge by Meter Size:				
5/8" x 3/4"				\$ 35.08
1"				\$ 87.70
1-1/2"				\$ 175.40
2"				\$ 280.64
3"				\$ 526.20
4"				\$ 877.00
Gallage Charge, per 1,000 gallons				\$ 5.27
Reclaimed Water				
Gallage Charge, per 1,000 gallons	\$ 0.45	\$ 0.57	\$ 0.53	\$ 0.69

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K W Resort Utilities Corp.**Wastewater Monthly Service Rates**

	Rates Prior to Filing	Utility's Requested Interim	Commission Approved Interim	Utility's Requested Final
Private Lift Station Owners				
5/8" x 3/4"	\$ 32.51	\$ 41.23	\$ 38.32	\$ 35.08
1"	\$ 74.72	\$ 94.76	\$ 88.06	\$ 87.70
2"	\$ 229.52	\$ 291.08	\$ 270.50	\$ 280.64
Gallorage Charge, per 1,000 gallons	\$ 2.74	\$ 3.47	\$ 3.23	\$ 5.27
Bulk Wastewater Rates				
Safe Harbor Marina				
13 Residential Units @ 1 ERC each	\$ 525.11	\$ 665.95	\$ 618.87	\$ 456.04
18 Live Aboard Boats @ .6 ERC each	\$ 436.20	\$ 553.19	\$ 514.09	\$ 378.86
27 Non-Live Aboard Boats @ .2 ERC each	\$ 218.10	\$ 276.60	\$ 257.04	\$ 189.43
6 Vacant Slips @ .2 ERC each	\$ 48.46	\$ 61.46	\$ 57.11	\$ 42.10
2 Bathhouses @ 1 ERC each	\$ 80.79	\$ 102.46	\$ 95.21	\$ 70.16
2 Commercial Businesses @ .5 ERC each	\$ 40.39	\$ 51.22	\$ 47.61	\$ 35.08
1 Commercial Bar	\$ 51.53	\$ 65.35	\$ 60.73	\$ 44.90
Total	\$ 1,400.58	\$ 1,776.23	\$ 1,650.67	\$ 1,216.57
South Stock Island Marinas (Peninsular Marina)				
13 Residential Units @ 1 ERC each	\$ 525.11	\$ 665.95	\$ 618.87	\$ 456.04
16 Live Aboard Boats @ .6 ERC each	\$ 387.73	\$ 491.72	\$ 456.96	\$ 336.77
26 Non-Live Aboard Boats @ .2 ERC each	\$ 210.04	\$ 266.37	\$ 247.55	\$ 182.42
Bathroom @ 1 ERC	\$ 40.39	\$ 51.22	\$ 47.61	\$ 35.08
3 Commercial Businesses @ .5 ERC each	\$ 60.59	\$ 76.84	\$ 71.41	\$ 52.62
Total	\$ 1,223.86	\$ 1,552.10	\$ 1,442.39	\$ 1,062.93
General Service Multiple Agreement				
Large Swimming Pool (4 ERCs)	\$ 161.57	\$ 204.90	\$ 190.42	\$ 140.32
Small Swimming Pool (1.18 ERCs)	\$ 47.67	\$ 60.46	\$ 56.18	\$ 41.39
Temporary Service Agreement (Sweetwater Environmental, Inc.)				
Minimum Charge on 127,100 gallons	\$ 728.28	\$ 924.02	\$ 858.21	\$ 669.82
Gallorage Charge, per 1,000 gallons	\$ 5.73	\$ 7.27	\$ 6.75	\$ 5.27
Residential Monthly Bill				
3,000 Gallons	\$ 40.39	\$ 51.22	\$ 47.61	\$ 48.55
5,000 Gallons	\$ 40.39	\$ 51.22	\$ 47.61	\$ 57.53
10,000 Gallons	\$ 40.39	\$ 51.22	\$ 47.61	\$ 79.98
(Wastewater Gallorage Cap - 10,000 gallons)				

STAMP

Florida Public Service Commission
Office of Commission Clerk
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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