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September 19, 2007
VIA HAND DELIVERY

Mr. Troy Rendell
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: K.W. Resort Utilities Corp.; 2007 Rate Case Filing; PSC Docket 070293
Interim Recommendation
Our File No. 34000.05

Dear Mr. Rendell:

I am writing you on behalf of KW Resort Utilities, Corp. We have reviewed the Staff Recommendation for interim rate relief dated September 13, 2007, and I am writing you to express our concern with two of the adjustments proposed by the Commission staff. While I understand that the Utility cannot speak at the Commission's agenda conference where they will consider the staff's recommendation, we believe the points outlined below must be considered and must be recognized in setting interim rates for this Utility:

1. Negative Rate Base and Working Capital Allowance - We at the Utility of course wholeheartedly disagree with the Commission staff's used and useful adjustment to the Utility's current investment in treatment and collection facilities. However, the Commission staff's proposal to make a used and useful adjustment that results in a negative rate base is not only illogical, but inappropriate.

More importantly, while some such used and useful adjustments may be arguable for interim purposes, the failure to even recognize the Utility's investment in working capital as a positive rate base investment, is not reasonable or appropriate under the circumstances. Throughout the period of time the Utility will be providing service during the interim rate period, the Utility will be incurring costs related to the daily provision of service and therefore, a working capital allowance is appropriate and necessary, regardless of whether rate base is otherwise negative. We believe that in the past the Commission has recognized that despite an otherwise negative rate base, a need for a working capital allowance is clear. Therefore, we request that the Commission at least recognize, for the purposes of interim rates, a need for working capital, and allow a return on that working capital allowance.

2. Infiltration Expenses - The Commission staff has proposed an adjustment to both electric and chemical costs based upon the excess infiltration percentage determined in the Utility's last rate case. Since that last rate case, the Utility has had substantial growth resulting in a substantial increase in the size of its collection system, all of which

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has been constructed in a manner that does not create an infiltration issue. In addition, the Utility has undertaken numerous extensive renovations of its existing collection system, in order to alleviate infiltration since the last rate case. These include the following:

- (a) In 1998 Metro Corp. slip lined all of the failing clay pipe on the Utility's existing gravity system with a poly-liner.
- (b) In 1999, the Utility repaired six manholes with poly-triplex liners stopping infiltration there.
- (c) In 2002, the Utility hired Bee Brothers to install new replacement main lines and service laterals on Roberta, Miriam, and Balido Streets, to correct infiltration in the old lines.
- (d) In 2005, the Utility hired Brian Inc. to slip line the remaining gravity system with a cure and place liner.
- (e) The Utility is continuously making point repairs, tightening up lift stations and manholes to reduce infiltration.
- (f) The Utility converted to a vacuum sewer collection system several years ago. Such systems require that the collection system be very tight and have very little infiltration, in order to work properly. As such, it is clear that there is not any excess infiltration in the Utility's system at the present time.

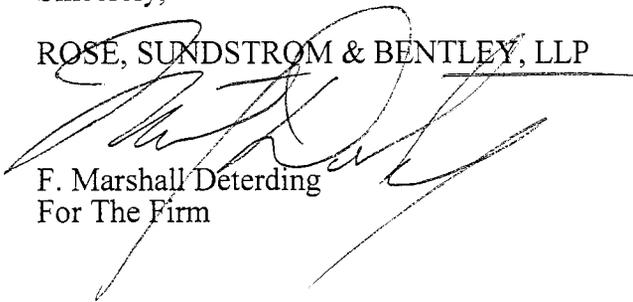
As a result of the above noted facts, the Utility's infiltration is substantially below that which existed in 1983 and well within reasonable limits for a similarly situated system. Therefore, the Commission staff's proposal to deny over \$28,000 in annual expenses related to excess infiltration, is unreasonable and inappropriate.

We believe that the above issues must be considered in establishing interim rates, especially in light of the fact that these interim rates are collected subject to refund, and will be escrowed. To the extent the Commission later determines that these costs were in any way inappropriate for recognition in interim rates, the customers will receive refunds, with interest, of all such excesses collected. However, the Utility is placed in a position by failure to recognize these costs of forever losing monies that it is entitled to in operating its system in an efficient and prudent manner, and therefore the Commission should recognize these costs, as outlined above, for interim rate setting.

If you or anyone at the Commission has any further questions with regard to these issues, please let me know.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP


F. Marshall Deterding
For The Firm

FMD/tms

cc: Ann Cole, Clerk
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