

LILA A. JABER  
CHAIRMAN

STATE OF FLORIDA



**ORIGINAL**  
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Tallahassee, FL 32399-0850  
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**Public Service Commission**

May 2, 2002

Mr. Martin S. Friedman  
Rose, Sundstrom & Bentley LLP  
2548 Blairstone Pines Drive  
Tallahassee, FL 32301

Re: Docket No. 020344-SU, Application for rate increase in Monroe County by Key Haven Utility Corporation.

Dear Mr. Friedman:

On April 17, 2002, we received your letter requesting test year approval for Key Haven Utility Corporation (Key Haven or utility). Your letter states that Key Haven is requesting to use a historical test year ending December 31, 2001, and that it be allowed to file its minimum filing requirements (MFRs) on or before August 1, 2002. Further, you state that the utility will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. You have also requested to use a historical test year ending December 31, 2001, for interim rate purposes. The utility's test year request, as outlined above, is hereby approved. You should also be aware that prefiled direct testimony must be filed with MFRs if you do not elect to request the PAA process.

For administrative purposes only, Docket No. 020344-SU has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of the Commission Clerk and Administrative Services receives the complete petition, revised tariff sheets, the MFRs, testimony (if not requesting PAA), and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than August 15, 2002.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, there is a possibility that information filed at a later time will not be considered. Lastly, the utility should be prepared to justify its requested test year operation and maintenance expenses, particularly those which have increased above the level of

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Mr. Martin S. Friedman  
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customer growth and inflation from those approved for the December 31, 1993 test year in Docket No. 940299-SU.

Sincerely,



Lila A. Jaber  
Chairman

LAJ:sbf

cc: Mary Andrews Bane, Executive Director  
Division of the Commission Clerk and Administrative Services  
Division of Economic Regulation (Willis, Merchant, Fletcher)  
Office of the General Counsel (Jaeger)  
Division of Auditing and Safety (Vandiver)

State of Florida



Public Service Commission

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**DATE:** April 29, 2002 APR 30 2002  
**TO:** Chairman Jaber  
**FROM:** Timothy J. Devlin, Director, Division of Economic Regulation *198* Florida Public Service Commission  
Ralph Jaeger, Senior Attorney, Office of the General Counsel CHAIRMAN JABER  
**RE:** Docket No: 020344-SU - Application for rate increase in Monroe County by Key Haven  
Utility Corporation - Test Year Approval

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By letter received on April 17, 2002, Key Haven Utility Corporation (Key Haven or utility) has requested approval to use a historical test year ended December 31, 2001 for its upcoming rate case. Key Haven is also requesting that it be allowed to file its minimum filing requirements on or before August 1, 2002. Further, the utility will file its application using the Proposed Agency Action provision in Section 367.081(8), Florida Statutes. Key Haven will also be requesting interim rates. By telephone, the utility confirmed that it is requesting the test year ending December 31, 2001 for interim purposes as well.

The utility has indicated that the proposed historical year ended December 31, 2001 is representative of the current operations, after adjustments are made for pro forma plant additions. The utility has indicated that it spent \$436,000 during the calendar year 2001 for line replacements and that it expects to replace additional lines totaling approximately \$400,000 in 2002 and 2003. Key Haven stated that these pro forma additions are non-growth related and that it only realized a 1.7% rate of growth in 2001. Key Haven believes that the historical test year ended December 31, 2001 will be a representative period to measure the cost of service and establish new rates. Based on a telephone discussion, the utility further stated that the proposed test year is representative of the current operations because the expenses incurred by the utility are typical and this test year is the most current year for which financial information is available.

The last rate case for the utility was in Docket No. 940299-SU. In that case, the parties reached a stipulation on the major issues prior to the scheduled hearing, and the Commission approved the settlement reached. See Order No. PSC-94-1557-S-SU, issued on December 13, 1994. The test year for that proceeding was the year ended December 31, 1993.

Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1998 through 2000. Based on our review, we believe that the requested test year should be approved. Receipt of the application by August 15, 2002, will be acceptable.

The test year letter filename is S:\psc\ecr\wp\keyhaven-tya.sbf

c: Dr. Mary Bane, Deputy Executive Director/Technical  
Division of Economic Regulation (Willis, Merchant, Fletcher)  
Division of Auditing and Safety (Vandiver)  
Division of the Commission Clerk and Administrative Services  
Jackie Edwards