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**Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Special Report  
January 8, 2007**

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Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Special Report

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January 8, 2007

Officers and Directors  
Key Haven Utility Corporation

In accordance with your request, we have prepared the accompanying Special Report of Key Haven Utility Corporation consisting of the schedules listed in the preceding Index.

This report is intended solely for use as part of a Limited Proceeding rate application to be filed with the Florida Public Service Commission and should not be used for any other purpose.

Because this Special Report was not audited by us, we do not express an opinion or any other form of assurance on it.

*Cronin, Jackson, Nixon & Wilson*

CRONIN, JACKSON, NIXON & WILSON

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Schedule of Present and Proposed Rates

Line No.		<u>Present Rates</u>	<u>Proposed Increase</u>	<u>Proposed Rates</u>
1	<u>Residential (27.49% Increase)</u>			
2	<u>Base facility charges</u>			
3	5/8 x 3/4"	\$ 26.10	\$ 7.17	\$ 33.27
4	<u>Gallorage Charges per 1,000 gallons</u>			
5	Maximum of 10,000 gallons	6.87	\$ 1.89	\$ 8.76
7	<u>General Service (27.49% Increase)</u>			
8	<u>Base facility charges</u>			
9	5/8/x3/4"	26.10	7.17	33.27
10	1"	65.27	17.94	83.21
11	1-1/2"	130.55	35.89	166.44
12	2"	208.88	57.42	266.30
13	3"	417.76	114.84	532.60
14	4"	652.74	179.44	832.18
15	6"	1,305.50	358.88	1,664.38
16	8"	2,088.81	574.21	2,663.02
18	Gallorage charge per 1,000 gallons	8.24	\$ 2.27	10.51

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Calculation of Percentage Rate Increase And Increase to the Gallonage Charges

Line No.			Schedule Reference
1	(A)	<u>Calculation of increase percentage</u>	
2		Total proposed increase	<u>\$ 99,287</u> 3
3		Divide by annualized revenue	<u>\$ 361,111</u> 12
4		Percentage increase in rates	<u>27.49%</u>

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Schedule of Rate Base Increase Components,  
Rate of Return, and Revenue Requirement

Line		Cost	Schedule
No.	<u>Increase in Rate Base &amp; Rate of Return</u>	<u>12/31/05</u>	<u>Reference</u>
1	Increased plant to reduce I & I	\$ 1,131,614	6
4	Retirement of old equipment	(799,702)	7
5	Accumulated depreciation	715,674	4
6	Contributions In Aid of Construction (CIAC)	(102,053)	8
7	Accumulated amortization of CIAC	<u>15,577</u>	4
8	Total increase in rate base	961,110	
9	Weighted cost of capital	<u>8.30%</u>	11
10	Rate of return required	<u>79,772</u>	
11	<u>Revenue Requirement</u>		
13	Increase in depreciation expense due to plant improvements	31,278	9
14	Decrease in depreciation expense associated with retirements	(23,782)	7
15	Increase in CIAC Amortization	(2,340)	9
16	Increase amortization of hurricane costs	4,737	5
17	Increase in taxes other than income taxes	<u>5,154</u>	10
18	Total increase in operating income	<u>15,047</u>	
19	Total revenue increase before Regulatory Assessment Fees (RAF's)	94,819	
20	Divide by factor for RAF's	<u>0.955</u>	
21	Total Revenue Increase	<u>\$ 99,287</u>	

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Rate Base and Rate of Return After Limited Proceeding Rate Increase

Line No.		Balance <u>12/31/2005</u>	Limited Proceeding <u>Adjustments</u>		Proforma Balance <u>12/31/2006</u>	Schedule <u>Reference</u>
1	Utility plant in service	\$ 2,039,275	\$ 331,912	(A)	\$ 2,371,187	
2	Land	5,666			5,666	
3	Accumulated depreciation	(931,475)	715,674	(B)	(215,801)	
4	Contributions in Aid of Construction (CIAC)	(359,239)	(102,053)	(C)	(461,292)	
5	Accumulated amortization of CIAC	<u>291,119</u>	<u>15,577</u>	(D)	<u>306,696</u>	
6		1,045,346	961,110		2,006,456	
7	Allowance for working capital	<u>28,361</u>	-		<u>28,361</u>	
8	Rate base	<u>\$ 1,073,707</u>	<u>\$ 961,110</u>		<u>\$ 2,034,817</u>	
9	Operating Income	<u>\$ 30,154</u>			<u>\$ 121,970</u>	5
10	Rate of return	<u>2.81%</u>			<u>5.99%</u>	
11	<u>Adjustments</u>					
12	(A) <u>Plant in service</u>					
14	Increased plant to reduce I & I				\$ 1,131,614	6
15	Retirement of old collection and treatment plant				<u>(799,702)</u>	7
16	Total Plant adjustments				<u>\$ 331,912</u>	
17	(B) <u>Accumulated Depreciation</u>					
18	Annual depreciation on existing plant				\$ (76,532)	5
19	Annual depreciation on increased plant				(31,278)	9
20	Annual depreciation on retired plant				23,782	7
22	Retirement of old collection and treatment plant				<u>799,702</u>	7
23	Total accumulated depreciation adjustments				<u>\$ 715,674</u>	
24	(C) <u>Contributions in Aid of Construction (CIAC)</u>					
25	Property contribution				<u>\$ (102,053)</u>	8
26	(D) <u>Accumulated Amortization of CIAC</u>					
27	Annual Amortization on existing CIAC				\$ 13,237	5
28	Annual Amortization on increased CIAC				<u>2,340</u>	9
29	Total accumulated amortization of CIAC adjustments				<u>\$ 15,577</u>	

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Statement of Operations After Limited Proceeding Rate Increase

Line No.		Balance <u>12/31/2005</u>	Limited Proceeding <u>adjustments</u>		Proforma Balance <u>12/31/2006</u>	Schedule <u>Reference</u>
1	Operating Revenue	\$ 348,499	\$ 111,899	(A)	\$ 460,398	
2	Operating Expenses:					
3	Operation & Maintenance (O&M)	226,884			226,884	
4	Depreciation	76,532	7,496	(B)	84,028	
5	Amortization of CIAC	(13,237)	(2,340)	(C)	(15,577)	
6	Amortization of Hurricane Costs	-	4,737	(D)	4,737	
7	Taxes other than income	<u>28,166</u>	<u>10,190</u>	(E)	<u>38,356</u>	
9		<u>318,345</u>	<u>20,083</u>		<u>338,428</u>	
10	Operating Income	<u>\$ 30,154</u>	<u>\$ 91,816</u>		<u>\$ 121,970</u>	
11	<u>Adjustments</u>					
12	(A) <u>Operating Revenue</u>					
13	Limited proceeding revenue increase				\$ 99,287	3
14	Increase in annualized revenue				<u>12,612</u>	10
15	Total increase in revenues				<u>\$ 111,899</u>	
16	(B) <u>Depreciation Expense</u>					
17	Increase in depreciation expense for new plant				\$ 31,278	9
18	Decrease in depreciation expense for retired plant				<u>(23,782)</u>	7
19	Total increase				<u>\$ 7,496</u>	
20	(C) <u>Amortization of CIAC</u>					
21	Increase in CIAC amortization				<u>\$ (2,340)</u>	9
22	(D) <u>Amortization of Hurricane Costs</u>					
23	Costs incurred- 2005 Hurricane season				\$ 14,211	
24	Amortization period - years				<u>3</u>	
25	Annual amortization of hurricane costs				<u>\$ 4,737</u>	
26	(E) <u>Taxes Other Than Income</u>					
27	Increase in property taxes				\$ 5,154	11
28	Increase in Regulatory Assessment Fees (RAF's)					
29	-Limited Proceeding increase				4,468	3
30	Increase in RAF's - Annualized Revenue				<u>568</u>	10
31	Total increase				<u>\$ 10,190</u>	
32	Note: The Utility's facilities management contractor, Synagro, states that there					
33	will be no operations and maintenance expense reductions due to the anticipated					
34	decrease of inflows. Synagro's statement is attached as Exhibit A.					



Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Schedule of Plant Increases  
Primary Account & Vendor

Line No.	NARUC Acct.	Description	Total Costs	(c)ompleted / (e)stimated Completion Date	Total Construction Costs
1	352.4	Structures & improvements - Treatment and Disposal Plant			\$ 2,532
	360.2	Collection Sewers-Force- Collection Plant			11,970
2	361.2	Collection Sewers-Gravity - Collection Plant			698,185
3	363.2	Services to Customers - Collection Plant			50,514
4	371.3	Receiving Wells - Pumping Plant			292,021
5	380.4	Treatment & Disposal Equipment - Treatment & Disposal Plant			76,392
6		Total increases to plant in service			<u>\$ 1,131,614</u>
		<u>Costs by Vendor</u>			
7		<u>Description</u>	<u>Vendor</u>		
8	352.4	New Aluminum handrail at WWTP	Beckers Steel Fabricating	(c) 09/05	\$ 2,532
9		Total account 352.4			<u>2,532</u>
10	360.2	Force Main Relocate-Key Haven Rd/Allamanda B&L Beneway		(e) 12/06	<u>11,970</u>
11		Total Account 360.2			<u>11,970</u>
12	361.2	Rehab Key Haven Terrace	B&L Beneway	(c) 09/06	185,198
13		Rehab Beechwood, Bougainvilla, Cocoanut Dr	B&L Beneway	(c) 02/06	20,850
14		Rehab Bamboo Drive - MH 9B to End	B&L Beneway	(c) 10/06	33,572
15		Rehab Azalea Drive	B&L Beneway	(c) 09/06	62,242
16		Rehab Aster	B&L Beneway	(c) 09/06	53,377
17		Rehab Allamanda Terrace	B&L Beneway	(c) 10/06	58,516
18		Rehab Beechwood	B&L Beneway	(e) 12/06	53,570
19		Five Manhole Repairs	BRIAN	(e) 12/06	8,500
20		Video Inspections	BRIAN	(e) 12/06	45,600
21		Salinity testing	Synagrow	(c) 10/05	968
22		Rehab Driftwood Drive	B&L Beneway	(c) 11/05	44,882
23		Install Rain Guards for Manholes	Synagrow	(e) 12/06	5,500
24		Rehab Bamboo Drive - MH 7B to End	B&L Beneway	(e) 12/06	32,450
25		Rehab Cypress and Cactus Drives	American Water	(c) 08/04	92,960
26		Total Account 361.2			<u>698,185</u>
27	363.2	Rehab Key Haven Terrace	B&L Beneway	(e) 09/06	39,764
28		Driftwood Drive Cleanouts	B&L Beneway	(c) 09/05	10,750
29		Total Account 363.2			<u>50,514</u>
30	371.3	Rehab Key Haven Terrace	B&L Beneway	(e) 09/06	77,311
31		New master wetwell & pumps at WWTP	B&L Beneway	(e) 01/07	168,750
32		Rehab C Section Lift Station	B&L Beneway	(e) 01/07	45,960
33		Total Account 371.3			<u>292,021</u>
34	380.4	New Chlorine Tank & Containment	Synagrow	(c) 06/05	3,476
35		Repipe and cleanout of clarifiers	Synagrow	(e) 01/07	12,000
36		Replace Surge Pumps and Splitter	Synagrow	(e) 01/07	8,000
37		Replace Three Blowers	Synagrow	(c) 12/06	12,916
38		Replace Diffusers	Synagrow	(e) 01/07	5,000
39		Rehab 3rd Filter System	Synagrow	(e) 01/07	35,000
40		Total Account 380.4			<u>76,392</u>
41		Total increases to plant in service			<u>\$ 1,131,614</u>

Schedule No. 6

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Schedule of Retirements by Primary Account

Line No.	NARUC Acct.	Description	Cost	Depr. Rate	Depr. Expense
1	360.2	Collection Sewers-Force- Collection Plant	8,978	3.33%	\$ 299
2	361.2	Collection Sewers-Gravity - Collection Plant	484,591	2.22%	10,758
3	363.2	Services to Customers - Collection Plant	29,823	2.63%	784
4	371.3	Receiving Wells - Pumping Plant	219,016	4.00%	8,761
5	380.4	Treatment & Disposal Equipment - Treatment & Disposal Plant	<u>57,294</u>	<u>5.55%</u>	<u>3,180</u>
6		Total retirements of plant in service	<u>\$ 799,702</u>		<u>\$ 23,782</u>
7		<u>Description</u>			
8	360.2	Force Main Relocate-Key Haven Rd/Allamanda	<u>8,978</u>		
9		Total Account 360.2	<u>8,978</u>		
10	361.2	Rehab Key Haven Terrace	138,899		
11		Rehab Beechwood, Bougainvillea, Cocoanut Dr	15,638		
12		Rehab Bamboo Drive	25,179		
13		Rehab Azalea Drive	46,682		
14		Rehab Aster	40,033		
15		Rehab Allamanda Terrace	43,887		
16		Rehab Beechwood	40,178		
17		Five Manhole Repairs	6,375		
18		Rehab Driftwood Drive	33,662		
19		Rehab Bamboo Drive - MH 7B to End	24,338		
20		Rehab Cypress and Cactus Drives	<u>69,720</u>		
21		Total Account 361.2	<u>484,591</u>		
22	363.2	Rehab Key Haven Terrace	<u>29,823</u>		
23		Total Account 363.2	<u>29,823</u>		
24	371.3	Rehab Key Haven Terrace	57,983		
25		New master wetwell & pumps at WWTP	126,563		
26		Rehab C Section Lift Station	<u>34,470</u>		
27		Total Account 371.3	<u>219,016</u>		
28	380.4	New Chlorine Tank & Containment	2,607		
29		Repipe and cleanout of clarifiers	9,000		
30		Replace Surge Pumps and Splitter	6,000		
31		Replace Three Blowers	9,687		
32		Replace Diffusers	3,750		
33		Rehab 3rd Filter System	<u>26,250</u>		
34		Total Account 380.4	<u>57,294</u>		
35		Total retirements of plant in service	<u>\$ 799,702</u>		

35 Note: Retirement values based on 75% of the installed cost of new plant where a  
36 replacement is indicated

Key Haven Utility Corporation  
Allocation of Contributed Property

Line No.	NARUC Acct	Description	Direct Costs Before Allocation	Ratio	Total Contribution
1	271.361	Collection Sewers-Gravity - Collection Plant	\$ 185,198	82.32%	\$ 84,010
2	271.363	Services to Customers - Collection Plant	<u>39,764</u>	17.68%	<u>18,043</u>
4		Total	<u>\$ 224,962</u>	<u>100.00%</u>	<u>\$ 102,053</u>
5		<u>Description</u>	<u>Vendor</u>		Plant Cost from Schedule 6
6	361.2	Rehab Key Haven Terrace	B&L Beneway		<u>185,198</u>
7		Total Account 361.2			<u>185,198</u>
8	363.2	Rehab Key Haven Terrace	B&L Beneway		<u>39,764</u>
9		Total Account 363.2			<u>39,764</u>
10		Total increases to plant in service			<u>\$ 224,962</u>
11		By agreement with the Key Haven Estates, LLC, approximately 43.75% of the cost to upgrade			
12		the collection system, excluding the wet well and lift station, in Key Haven Terrace will be			
13		contributed by them.			

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Accumulated Depreciation And Depreciation Expense of Plant Upgrades  
and Amortization of Contributions of Property

Line No.	Acct No.	Description	Guideline			Accumulated Depreciation	Schedule Reference
			Capital Cost	Depr. Rate	Annual Expense		
1	352.4	Structures & improvements - Treatment and Disposal Plant	\$ 2,532	3.13%	\$ 79	\$ 79	6
2	361.2	Collection Sewers-Force - Collection Plant	11,970	3.33%	399	399	6
2	361.2	Collection Sewers-Gravity - Collection Plant	698,185	2.22%	15,500	15,500	6
3	363.2	Services to Customers - Collection Plant	50,514	2.63%	1,329	1,329	6
4	371.3	Receiving Wells - Pumping Plant	292,021	3.33%	9,724	9,724	6
5	380.4	Treatment & Disposal Equipment - Treatment & Disposal Plant	<u>76,392</u>	5.56%	<u>4,247</u>	<u>4,247</u>	6
6		Total accumulated depreciation	<u>\$ 1,131,614</u>		<u>\$ 31,278</u>	<u>\$ 31,278</u>	
7		<u>Property Contributions</u>					
8	271.4	Collection Sewers-Gravity - Collection Plant	\$ 84,010	2.22%	\$ 1,865	\$ 1,865	8
9	271.4	Services to Customers - Collection Plant	<u>18,043</u>	2.63%	<u>475</u>	<u>475</u>	8
11		Total	<u>\$ 102,053</u>		<u>\$ 2,340</u>	<u>\$ 2,340</u>	

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Increases in Taxes Other than Income

Line No.	Account No.	Description	Net Increase	Schedule Reference
1		<u>Taxes Other Than Income</u>		
2	408.10	<u>Regulatory Assessment Fees (RAF)</u>		
3		Annualized revenue for the 12 months ended December 31, 2006	\$ 361,111	12
4		Historic Revenue at 12/31/2005	<u>(348,499)</u>	5
5		Net increase in annualized revenue	12,612	
6		RAF Rate	<u>4.50%</u>	
7		Increase in RAF's	<u>568</u>	
8	408.11	<u>Property Taxes</u>		
9		Increased plant to reduce I & I	1,131,614	6
10		Retirements of plant in service	(799,702)	7
11		Accumulated depreciation	<u>(31,278)</u>	9
12		Net taxable increase in property	300,634	
13		Monroe County millage rate	<u>0.01714484</u>	
14		Increase in Property Taxes	<u>5,154</u>	
15		Total estimated increase in taxes other than income taxes	<u>\$ 5,722</u>	

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Capital Structure and Weighted Cost of Capital  
Year ended December 31, 2005

Line No.	<u>Capital Structure</u>	Average Balance 9/30/2006	Specific Adjustments	Adjusted Balance 12/31/2006	Percent Ratio	Cost of Each Percent	Weighted Average Cost
1	Common equity	\$ (34,582)	\$ 34,582 <sup>(1)</sup>	\$ -	0.00%	11.10%	0.00%
2	Long term Debt:						
3	Arthur B Lujan Testamentary Trust	92,960		92,960	9.58%	8.75%	0.84%
4	First State Bank	<u>877,409</u>	<u>-</u>	<u>877,409</u>	<u>90.42%</u>	<u>8.25%</u>	<u>7.46%</u>
5	Total	<u>\$ 935,787</u>	<u>\$ 34,582</u>	<u>\$ 970,369</u>	<u>100.00%</u>		<u>8.30%</u>

6 Note (1): Adjustment to remove negative equity

Key Haven Utility Corporation  
Wastewater Limited Proceeding  
Schedule of Annualized Revenue  
Year Ending December 31, 2006

Line No.		No. Bills/ Gallons	Current Rates	Annualized Revenue
1	<u>Residential</u>			
2	Base facility charges	5,179	\$ 26.10	\$ 135,172
3	Gallons sold - 0 - 10,000 gallons (000)	32,452	6.87	<u>222,945</u>
5	Total residential			<u>358,117</u>
6	<u>General Service</u>			
7	Base facility charges:			
	5/8" x 3/4"	8	26.10	209
9	1"	12	65.27	783
18	Gallons sold (000)	<u>243</u>	8.24	<u>2,002</u>
19	Total general service			<u>2,994</u>
20	Total annualized revenue			<u>\$ 361,111</u>