

**GATLIN, SCHIEFELBEIN & COWDERY, P.A.**

**Attorneys at Law**

**The Mahan Station  
1709-D Mahan Drive  
Tallahassee, Florida 32308**

FILE COPY

B. KENNETH GATLIN  
WAYNE L. SCHIEFELBEIN  
KATHRYN G.W. COWDERY

TELEPHONE (904) 877-5609  
TELECOPIER (904) 877-9031  
E-MAIL: bkgatlin@netally.com

July 8, 1997

**HAND DELIVERY**

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Docket No. **970530-WU**  
Request to establish reclaimed water rate for the  
H&S Grove in Brevard County by Florida Cities Water  
Company - Barefoot Bay Division

Dear Ms. Bayo:

This letter responds to a letter dated May 29, 1997, from Ms. Edith Xanders, Regulatory Analyst of the Public Service Commission. Respectively, we hereby furnish an original and fifteen copies for filing.

The following reiterates Ms. Xanders' questions with Florida Cities Water Company's responses following her questions.

Lease Agreement

- ACK
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EDC \_\_\_\_\_
- LEB 1
- LIM 5
- CI \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC \_\_\_\_\_
- WAS Xanders
- OTH \_\_\_\_\_

1. Paragraph 2(c) states: "Lessor has constructed reclaimed water mains and appurtenances as shown on Exhibit "B" attached hereto and made a part hereof. Lessee shall be responsible for maintaining the reclaimed water system in good repair as reasonably determined by Lessor and any damage thereto shall be promptly repaired or replaced to the reasonable satisfaction of Lessor."

(a) Did FCWC construct the reuse lines within the sod farm or jest the reclaimed water main up to the property? Who will own the reclaimed water system within the sod farm?

RECEIVED & FILED

FPC OF FLORIDA

DOCUMENT NUMBER-DATE

06856 JUL-85

REGULATORY REPORTING

Letter to Blanca S. Bayo, Director  
July 8, 1997  
Page 2

A: FCWC constructed reuse lines from the plant site to existing irrigation pump stations within the grove site. The reclaimed water system within the grove site was the H&S Groves irrigation system, and was included in FCWC's purchase of the grove site. The system is owned by FCWC.

(b) What was the cost of the mains constructed by FCWC?

A: The total cost of the mains constructed by FCWC was \$166,827.

(c) According to this paragraph, SF Sod shall be responsible for maintaining the reclaimed water system. Will SF Sod be maintaining the reclaimed water main or just the reuse lines within the farm? What will be SF Sod's responsibility with regard to any DEP permits or testing requirements?

A: SF Sod is responsible for operation and maintenance of the irrigation system on site. The reclaimed water mains from the plant to the pumping sites are operated and maintained by FCWC.

SF Sod is not responsible for any aspect of FCWC's FDEP permit conditions or testing requirements. At this time, no additional testing is required for the operation of the H&S site. However, should additional testing be required due to the use of the property by Lessee, FCWC would require Lessee to pay for the cost of the additional testing.

(d) Exhibit B was not attached to the lease provided to staff. Please provide a copy of Exhibit B.

A: Copy of Exhibit B is enclosed.

2. According to Paragraph 2(E), during prolonged periods of wet weather, Lessee may cease accepting reclaimed water for not more than 5 consecutive days to the extent that Lessor, in Lessor's opinion has storage capacity sufficient to temporarily store excess reclaimed water produced.

- (a) If FCWC does not have sufficient storage capacity to temporarily store the excess reclaimed water, and SF Sod requires wet weather storage, how will the excess be stored?

A: FCWC currently has storage for approximately five days of flow via an unlined pond within the treatment plant property. In addition, FCWC has applied to the FDEP for a limited wet weather discharge. In any case, if the land is needed for disposal, FCWC at its sole discretion and opinion, can apply the water to the land.

- (b) Will additional wet weather storage need to be constructed in order to meet the requirements of Paragraph 2(E)? If so, what type of storage will be used, when will the construction take place and which party will be responsible for the construction? What is the anticipated cost of the construction? Once the construction is complete, which party will own and maintain the storage facility?

A: No additional storage capacity is anticipated.

3. According to Paragraph 2(L)(4), the annual lease payment will be \$1,750. Will FCWC be the recipient of this payment, or will the recipient be an affiliated party? How will this payment be recorded on the utility's books?

A: As clearly indicated by the Agreement, only FCWC and South Florida Sod are parties to the Agreement therefore FCWC will be the recipient of the lease payment. The payment is recorded as miscellaneous service revenues in Barefoot Bay wastewater.

#### Decision Matrix

1. This matrix shows that many factors were considered in finding a suitable lessee. Please provide a statement indicating which of these factors was the most controlling in making the decision to lease the land to SF Sod. Included with the statement should be an explanation as to why the factors were controlling.

A: The primary controlling factor in the decision matrix was use yielding sufficient disposal capability. FCWC purchased the property to insure the elimination of the continuous surface water discharge to the canal. The decision to lease the land to SF Sod was based on the fact that no capital or additional operational investments would be required by FCWC or its customers in the on-site irrigation system and the ability for SF Sod to accept all the water.

2. In the discussions with the potential lessees, was a reuse rate discussed? If so, which party(ies) discussed a rate and what was the amount of the rate? Why wasn't an agreement negotiated with that party?

A: As is the case in all negotiations related to transactions of this nature, overall economics govern the outcome. In this case, prospective lessees were not willing to pay for the reclaimed water unless the economic impact of such payments were offset through some other condition of the agreement.

3. One of the columns is entitled "Assessed Value". Please explain what that column shows and how this value was considered in the decision making process.

A: The assessed value is based upon how the property would be valued for assessing property taxes. The assessed value resulting in higher taxes on the same property. Therefore, a lower assessed value was considered favorable in the decision matrix.

4. Please explain how the potential cash flows were determined and how this value was considered in the decision making process.

A: Potential cash flows were based upon the negotiated terms and conditions which potential lessees were willing to accept.

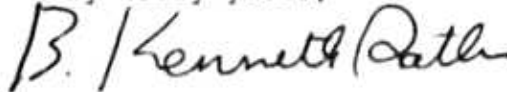
5. One of the options considered was a recreational option. What type of recreation was considered and who would the plant need to be upgraded to a "usable condition"?

Letter to Blanca S. Bayo, Director  
July 8, 1997  
Page 5

A: The recreation option was based on negotiations with one potential lessee which indicated that he would be willing to mow the property if FCWC would permit him to utilize the land for hunting and running his dogs. A treatment plant upgrade would not have been required; however, FCWC would have been responsible for upgrading and repairing the on site irrigation system to a usable condition and maintaining same at an estimated initial cost of \$40,000 and an annual maintenance expense of \$10,000.

Please let me know if you have any questions.

Very truly yours,



B. Kenneth Gatlin

BKG/met  
Enclosure  
cc:w/encl.:

Ms. Edith H. Xanders, Bureau of  
Policy Development and Industry Structure  
Mr. Charles H. Hill, Director, Division of  
Water and Wastewater  
Mr. Tim Vaccaro, Esquire, Division of Legal  
Services

NORTH

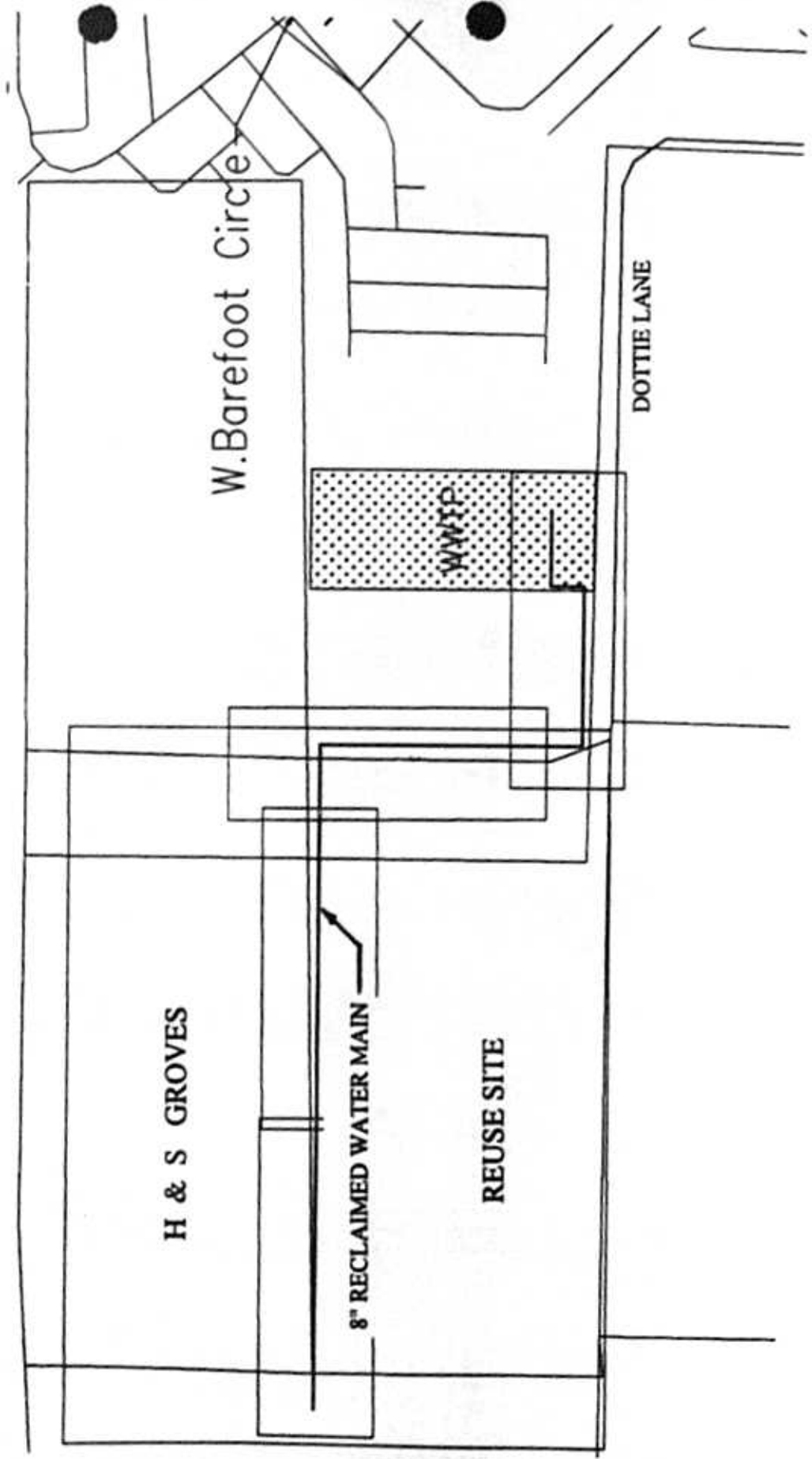


EXHIBIT B