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June 3, 1996

BY HAND DELIVERY

Ms. Blanca S. Bayó  
Director, Records & Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Re: Docket No. ~~06087-WS~~

Dear Ms. Bayó:

Enclosed for filing on behalf of Dunes Community Development District (Dunes) is the original and 15 copies of Dunes' Prehearing Statement, together with a WordPerfect 5.1 disk containing the document.

By copy of this letter this document has been provided to the parties on the attached service list.

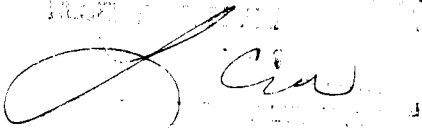
Very truly yours,



Richard D. Melson

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FPSC-RECORDS/REPORTING

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by PALM COAST ) Docket No. 950156-WS  
UTILITY CORPORATION for rate )  
increase in Flagler County ) Filed: June 3, 1996

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Dunes Community Development District (Dunes) hereby submits its Prehearing Statement in the above-captioned docket.

A. Known Witnesses. Dunes has prefiled the testimony of the following witnesses:

<u>Witness</u>	<u>Testimony</u>	<u>Subject</u>
Gary L. Moyer	Direct	Effluent Reuse
Arsenio Milian	Direct	Effluent Reuse

Dunes reserves the right to file rebuttal testimony, if required, by the date established in the Order on Procedure.

B. Known Exhibits. Dunes has prefiled the following direct exhibits. Dunes reserves the right to use additional exhibits for the purpose of cross-examination or rebuttal.

Gary L. Moyer	GLM-1	Map of Dunes and PCUC
	GLM-2	Effluent Agreement dated February 23, 1990
	GLM-3	Addendum Agreement dated May 13, 1994
	GLM-4	DCDD-PCUC Effluent Agreement dated September 20, 1995
Arsenio Milian	AM-1	Professional Resume

C. Basic Position. Dunes is a customer of Palm Coast Utility Corporation's (PCUC's) bulk water service and is a party to an agreement under which it takes unfiltered effluent from PCUC. With respect to water rates, the final rates and rate structure approved by the Commission should equitably treat all water purchasers. With respect effluent service, the Commission should deny PCUC's proposal to create a new class of effluent service and to begin imposing a charge for unfiltered effluent. Dunes' agreement to take unfiltered effluent provides a benefit to PCUC by enabling it to avoid the costs of additional effluent disposal capacity and/or additional wastewater treatment facilities which would be incurred absent the agreement. Under the Effluent Agreement between Dunes and PCUC, Dunes incurs the total cost of transporting the unfiltered effluent to Dunes' wastewater treatment plant site and performing the filtration and additional chlorination required to make the effluent suitable for application to public access areas. PCUC incurs no incremental cost for delivering unfiltered effluent to Dunes. In this situation, the imposition of an effluent charge on Dunes would be contrary to the public interest.

D-F. Issues. Dunes proposes the following issues:

Issue 1. What is the appropriate bulk water rate for PCUC?

Dunes: All water customers of the utility should be treated equitably. Therefore all water rates, including the bulk water rate, should be increased by the same percentage amount.

Issue 2. Should a new class of effluent service be approved and, if so, what are the appropriate rates, if any, for effluent service?

Dunes: No, the Commission should not establish a new class of effluent service for PCUC, since the unfiltered effluent provided by PCUC is not suitable for land application in public use areas without further treatment. If a new class of service is approved, the rate charged to Dunes should be set at zero, since Dunes already incurs all of the incremental cost of transporting, treating, and disposing of the unfiltered effluent received from PCUC.

G. Stipulations. Dunes is not aware of any stipulations in this docket.

H. Pending Motions. Dunes has no pending motions that require action by the Commission.

I. Requirements of Order. Dunes believes this prehearing statement is fully responsive to the requirements of the Order on Prehearing Procedure.

RESPECTFULLY SUBMITTED this 3rd day of June, 1996.

HOPPING GREEN SAMS & SMITH, P.A.

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Attorneys for Dunes Community  
Development District


CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing was furnished by  
U.S. Mail this 3rd day of June, 1996, to the following:

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