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November 19, 1996

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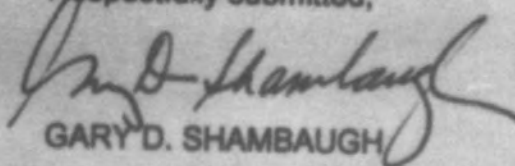
RE: RHV Utility, Inc.
Docket No. 961220-SU

Gentlemen:

On behalf of Douglas W. Lewis, President of RHV Utility, Inc., we are filing with the Honorable Commission three (3) copies of our responses to the data requests contained in Edith H. Xander's letter dated October 25, 1996.

We apologize for the delay in responding to the questions. Clarification of the responses or further questions may be directed to Mr. Lewis or to the undersigned.

Respectfully submitted,


GARY D. SHAMBAUGH

- ACK _____
- AFA _____
- APP _____
- CAF _____ GDS:sif
- CMU _____ enclosures
- CTR _____ cc: Douglas W. Lewis, President
- EAG _____ RHV Utility, Inc. (W/enclosures)
- LEG 1 _____
- LIN _____
- OPC _____
- RCH _____
- SEC 1 _____
- WAS 1 _____
- OTH _____

DOCUMENT NUMBER R-D
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RHV UTILITY, INC.

Responses to Questions Posed by the
Bureau of Policy Development and Industry Structure's
Letter Dated October 25, 1996

PDIS-1 What alternatives to reuse were considered? Why weren't these alternatives selected?

Response: RHV considered building additional percolation ponds at the existing site. However, this alternative was rejected because, among other reasons, the Florida Department of Environmental Regulation ("DEP") has advised us that the site may not be well-suited for additional ponds.

RHV considered purchasing either of two privately owned nearby properties for disposal by land application. However, this alternative was rejected because the price of the first parcel was prohibitively high and unreasonable at \$550,000 for approximately nine (9) acres. The cost of the land disposal would exceed the cost estimates for reuse. The second parcel was rejected because, among other reasons, nearby homeowners threatened expensive and protracted litigation to prevent the site from being used for wastewater disposal purposes.

Other potential options were surface water discharges or deep well injection. However, both of these options are highly disfavored by DEP, and very expensive to permit, operate, and monitor.

On the other hand, our understanding is that reuse is presently the option most favored by DEP, the Southwest Florida Water Management District ("SWFWMD") and the PSC. The Florida Legislature has determined that reuse of reclaimed water is a "state objective" and "in the public interest". See, §403.064(1), Fla. Stat. In addition to having environmental benefits (as opposed to environmental "impacts"), reuse systems allow customers to use reclaimed water for residential irrigation and other purposes, while conserving precious potable water supplies. In addition, SWFWMD offers cooperative funding incentives which make reuse an attractive option from a financial standpoint.

RHV UTILITY, INC.

**Responses to Questions Posed by the
Bureau of Policy Development and Industry Structure's
Letter Dated October 25, 1996**

PDIS-2 According to your letter, reuse is the least cost alternative. How was this determined? Did the company complete a reuse feasibility study for the Department of Environmental Protection (DEP)? If so, please provide a copy of the reuse feasibility study.

Response: RHV determined that reuse was the least cost alternative based on the factors described in our answer to Question 1, as well as advice we received from our consultants. The other potential options were going to be very difficult and expensive to implement from an environmental permitting stand point, and/or due to threatened litigation. RHV is not looking for an expensive and protracted legal battle with the regulators or its neighbors. Instead, RHV seeks solutions that satisfy as many affected people as possible.

DEP has not requested RHV to prepare a reuse feasibility study. Our understanding is that DEP does not require reuse feasibility studies to be completed by wastewater permit applicants having capacities less than 100,000 gallons per day. §403.064(4)(a), Fla. Stat. At this time, our understanding is that DEP does not intend to permit RHV's plant to handle flows in excess of that amount.

RHV UTILITY, INC.

Responses to Questions Posed by the
Bureau of Policy Development and Industry Structure's
Letter Dated October 25, 1996

PDIS-3 Has RHV entered into a consent order with the DEP? If so, please provide a copy.

Response: RHV and DEP entered into a consent order on March 30, 1994. (OGC File No.: 93-1640). A copy of that consent order is enclosed. As you will note, the consent order required compliance by March 15, 1996. When it became evident that RHV would be unable to obtain a suitable disposal site by that deadline, RHV approached DEP for a time extension.

DEP and RHV began negotiations to amend the consent order in September or October of 1995. Although several drafts have been transmitted back and forth between DEP and RHV, a new consent order has not yet been agreed upon.

However, on May 8, 1996, DEP and RHV met, and reached an oral agreement. The terms of that oral agreement are memorialized in (1) a March 13, 1996 letter from RHV's lawyer, David M. Caldevilla, to DEP's lawyer, Thomas Mayton, and (2) a May 14, 1996 letter from Mr. Mayton to Mr. Caldevilla. Copies of those letters are enclosed. As you will note, among other things, the parties agreed that if RHV filed its permit application by September 8, 1996, DEP would allow RHV to achieve total compliance by January 1, 1998, plus the number of days during which DEP reviews that permit application. Because September 8, 1996 actually fell on a Sunday, DEP staff later agreed that RHV could file its permit application on Monday, September 9, 1996. RHV did so. The application is still pending at this time.

de la PARTE, GILBERT & BALES
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ATTORNEYS AT LAW

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May 13, 1996

OF COUNSEL
LOUIS A. de la PARTE

Mr. Thomas Mayton
Assistant General Counsel
Department of Environmental Regulation
Twin Towers Office Building
2600 Blair Stone Road
Tallahassee, Florida 32399-2400

By Telefacsimile No. (904)921-3000
with original by U.S. Mail

Re: RHV Utilities, Inc.
Riverhaven WWTP

Dear Mr. Mayton:

As you know, this law firm represents RHV Utilities, Inc. ("RHV"). This letter will confirm the outcome of the meeting hosted by the Southwest District Office of the Department of Environmental Protection ("DEP") conducted on May 8, 1996 concerning the above-referenced facility, at which you and Mr. Jerry Phillips appeared by telephone. The meeting was conducted in response to Dr. Richard Garrity's letters dated March 22 and 27, 1996. According to my notes and recollection, the following items were discussed:

1. With respect to the subaqueous pipeline repair DEP staff requests additional information beyond that provided in the April 25 and 30, 1996 submittals from Berryman & Henigar ("B&H"). It was agreed that, on behalf of RHV, B&H will provide:
 - (a) A signed and sealed certification that the pipeline, as repaired, meets hydrostatic leakage test requirements. The certification must be received by DEP's Tampa District Office by the end of the week following the meeting (i.e., by May 17, 1996).
 - (b) A proposal describing the additional repairs or modifications, if any, needed to provide reasonable assurances that the pipeline will be protected in a manner equivalent to FAC Rule 62-604.400(3)(1)(1). This proposal must be received by DEP within 30 days of the meeting (i.e., by June 7, 1996).
2. DEP and RHV are concerned about continuing lift station operation problems caused by grease from the K.C. Crumps Restaurant. RHV agreed to send a demand letter threatening to cease sewer service unless the restaurant takes steps to rectify the problem. Mr. David MacColeman of DEP staff agreed to send the restaurant a warning letter in the event that RHV's demand letter does not solve the problem. RHV will send the demand letter by the end of the week following the meeting (i.e., by May 17, 1996), and will copy DEP.

POIS-3

de la PARTE, GILBERT & BALES
PROFESSIONAL ASSOCIATION

Mr. Thomas Mayton
May 10, 1996
Page Two

3. Based on sand observed in the aeration tanks, DEP staff is concerned there may be an infiltration and inflow problem in the collection system.
4. The WWTP needs additional disposal capacity. RHV has a contract to purchase a proposed application site, and DEP has been provided a copy of that contract. RHV is awaiting geotechnical data concerning the feasibility of using the site for this purpose. Unfortunately, the Property Owners Association ("POA") in the neighborhood served by RHV is opposed to this particular site being used for effluent disposal, and has suggested that it will file an administrative challenge if the site is permitted for this purpose. In order to avoid administrative litigation from the POA over the disposal site, RHV is now considering implementation of a reuse system. RHV has learned that DEP's reuse rules were recently revised such that this facility may now be permitted to provide reclaimed water for residential irrigation. Although some opposition is still expected from the POA, reuse may be more accepted than the proposed disposal site. Based on the foregoing, it was agreed that:
 - (a) RHV will consult with its engineers concerning reuse feasibility, and obtain feedback from its customers regarding the acceptability of reuse. DEP staff offered to assist in educating customers as to the benefits of reuse. Thereafter, RHV will advise DEP of whether it wants to proceed with the proposed disposal site or reuse. Upon making that decision, RHV and DEP will conduct a pre-application meeting to discuss the modification of RHV's pending WWTP permit application. All of the foregoing is to be completed within 90 days of the meeting (i.e., by August 8, 1996).
 - (b) Within 120 days of the meeting (i.e., by September 8, 1996), RHV will submit a "complete" application for the disposal site or the reclaimed water system.
5. DEP staff advised that it has not yet received the last two quarterly groundwater monitoring reports which were due under the 3/30/94 consent order. RHV acknowledged that its testing company, K&L, is late in completing those reports, and promised to forward them to DEP as soon as they are received.
6. DEP staff advised it desires that the foregoing items be enforced through a "consent decree" entered by a circuit court judge, as opposed to the administrative consent order which DEP staff previously offered in December 1995. Because it is comprised of unpaid non-professional volunteers, RHV advised that it is reluctant to subject itself to the circuit court's contempt powers when it is already acting in good faith and agreeing to stipulated monetary penalties, and asked DEP staff to reconsider its position. After further discussion, DEP staff advised that it still wanted a consent decree, but assured RHV that DEP would not seek to hold RHV in contempt for events beyond its control, or for efforts to comply made in good faith. I then stated that I would recommend RHV to agree to such a decree if DEP would agree that contempt would not be a remedy for violations resulting despite good faith efforts to comply, that contempt would not be a remedy against RHV's shareholders, and that contempt would only be available for willful violations of the consent decree. At this time, there does not seem to be consensus concerning the actual language to be used, but the following was agreed upon:
 - (a) You and Mr. Phillips agreed to provide me a draft agreement within the next two weeks for my review and comments. RHV will propose any modifications to DEP within 24 hours (not including week-ends or holidays) of receiving DEP's draft agreement. Dr. Richard Garrity of DEP staff stated

de la PARTE, GILBERT & BALES
PROFESSIONAL ASSOCIATION

Mr. Thomas Mayton
May 10, 1996
Page Three

that he would like to see an agreement reached within 30 days of the meeting (i.e., by June 8, 1996).

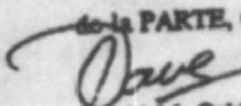
- (b) While the permit application described in paragraph 4(b) herein is pending review by DEP, the time period for achieving total compliance shall be tolled, such that RHV must obtain the permit by January 1, 1998, plus the number of days during which DEP reviews the permit application. (The compliance period would also be tolled by other events beyond RHV's control, such as a third party challenge of DEP's proposed agency action to issue the permit).
7. Regardless of the time necessary to enter into a mutually acceptable consent decree, RHV agreed to honor its commitments under paragraphs 1 through 5 herein.
8. Finally, Mr. Tom Gucciardo of DEP staff inquired as to RHV's corporate status with the Secretary of State's Office. I provided Mr. Gucciardo a written statement from Secretary of State's Office confirming that RHV is active and not dissolved.

If the foregoing does not comply with your recollection of our discussions, I request that you notify me immediately in writing. In addition, I did not get a copy of the attendance roster from yesterday's meeting, and request that you have the Southwest District send me a copy.

Thank you for your attention to this matter. I look forward to working with you.

Sincerely,

de la PARTE, GILBERT & BALES, P.A.


David M. Caldevilla

cc (by U.S. Mail):
Mr. Douglas Lewis
Mr. George Wilcox
Mr. Jim Stuart
Mr. George MacDonald
Mr. Al McLauren
Dr. Richard Garrity
Mr. Gary Volenec

PD15-3



Lawton Chiles
Governor

Department of Environmental Protection

Marjory Stoneman Douglas Building
3900 Commonwealth Boulevard
Tallahassee, Florida 32399-3000

Virginia B. Wehrell
Secretary

May 14, 1996

By FAX and U.S. Mail

Mr. David M. Caldevilla
de la Parts, Gilbert & Bales
One Tampa City Center
Suite 2300
Post Office Box 2350
Tampa, Florida 33601-2350

Re: RHV Utilities, Inc.
Riverhaven WWT

Dear David:

This is in response to your letter to me dated May 13, 1996. As to numbered paragraph 1.(b) of your letter, the pipeline must comply with Florida Administrative Code Rule 62-604.400(2)(j)(1). As to numbered paragraph 6(b) of your letter, the tolling would only apply to the first request for additional information, to prevent dilatory tactics. This will be covered in the draft consent judgment.

Thanks for your efforts to get this matter back on track.

Sincerely,

Tom

Thomas I. Mayton, Jr.
Assistant General Counsel

TIM/man

cc: Tom Gucciardo
Jerry Phillips, OGC

RHV UTILITY, INC.

Responses to Questions Posed by the
Bureau of Policy Development and Industry Structure's
Letter Dated October 25, 1996

PDIS-4

How many reuse customers are expected? Will the customers be located within the same area or will they be dispersed throughout RHV's service territory? How will RHV determine which customers will be receiving reuse and which customers will not be receiving reuse? We understand that RHV was planning to conduct a survey of its customers to determine whether they would be interested in receiving reuse. If RHV conducted this survey, please provide a copy as well as the results.

Response:

At the time of a complete build out of the Riverhaven Development, it is expected that RHV Utility, Inc. will have approximately 100-150 reuse customers. Initially, it is estimated that 40-50 customers will receive the reuse service. It is anticipated that the reuse customers will be in close proximity to the wastewater treatment facilities to limit the construction cost of the reuse distribution facilities. RHV Utility, Inc. plans to provide the reuse service to as many of those customers as possible residing in the planned reuse area which responded positively to the customer survey.

A survey was conducted of all RHV Utility, Inc.'s customers concerning residential reuse of wastewater effluent. The survey simply ask if the customers would be interested in this service. A public meeting was held to explain wastewater reuse and answer the customers' questions. The company received 183 responses, of which, 153 would like to receive the reuse service.

RHV UTILITY, INC.

Responses to Questions Posed by the
Bureau of Policy Development and Industry Structure's
Letter Dated October 25, 1996

PDIS-5

Does RHV intend to charge a rat for reuse? If not, how does RHV propose to recover the cost of the upgrade to reuse? If so, why wasn't this included in the application?

Response: RHV does intend to charge for reuse water. This subject was discussed with Jo Ann Chase, Supervisor of Policy Development - Water and Wastewater, on June 4, 1996. The application does not reflect a reuse charge because all financial and operating data affecting the development of such a charge had not been determined as of the date of the company's application for a staff-assisted rate case. Some of the data required would include, but not limited to, the overall cost of construction, the cost of the distribution system for reuse water, available grants for reuse, and additional operating and maintenance expense associated solely with reuse.

It is RHV Utility's position that a reasonable charge should be assigned to reuse water service base upon cost of service principals. As signed construction contracts and operating data become available, a value can be assigned to the reuse service.