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May 21, 1997

VIA HAND DELIVERY

Ms. Edith H. Xanders  
Bureau of Policy Development  
and Industry Structure  
Division of Water & Wastewater  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399

Re: K.W. Resort Utilities Corporation; PSC Docket No. 970229-SU  
Limited Proceeding/Reuse Water Rate Increase  
Our File No. 20779.04

Dear Edie:

I am writing to respond to your letter of May 2, 1997, and the questions outlined therein. I have outlined the questions as posed and our responses below:

ACK — 1. If the reuse customer was to discontinue receiving  
AFA — service from the Utility, what impact would this have on the  
APP — Utility's effluent disposal? What alternative methods of effluent  
CAF — disposal are available to the Utility and what is their cost? Has  
CMU — the Utility investigated any of these alternatives? If so, please  
CTR — provide the results of the investigation.

EAG — Answer: Prior to the recent expansion of its wastewater  
LEG — treatment facilities, the Utility had three injection wells  
LIN — which were sufficient to handle all of the existing effluent  
OPC — of the system at capacity. Therefore, no other alternatives  
RCH — were required of the Utility. Even if the golf course used no  
SEC — effluent, the Utility had the capability to utilize the  
WAS — injection wells for disposal of all its treated effluent  
OTH — product.

With the recent expansion of the Utility's wastewater  
treatment facilities, there are now six existing injection  
wells available for effluent disposal which will handle all of  
the flows of the sewage treatment plant, even at maximum

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capacity. Because both the original three injection wells and the recently added three are now in service and are gravity flow, it actually cost the Utility less to dispose of that effluent through use of the injection wells than it does to use electrical pumps to pump it to the golf course for disposal.

Based on these facts, no other alternatives need to be reviewed by the Utility as it has existing facilities of adequate capacity to meet all of its needs for effluent disposal even if the golf course were to cease taking effluent altogether and immediately.

2. What are the other reuse rates for utilities in the surrounding area? Please provide a list of utilities and the rates.

Answer: There are only two reuse systems of which the Utility is aware in this area. One is owned by the City of Key West which utilizes all of its effluent on its own property and, as such, there is no charge levied against itself.

The only other system in the area which disposes of its effluent through a reuse system is that owned by the Marathon Housing Authority and providing reuse water to the Sombrero Country Club in Marathon. The Marathon Housing Authority sells approximately 20,000 gallons of treated effluent per day to the Sombrero Country Club for golf course irrigation. This constitutes a total of approximately 7.2 million gallons a year of effluent sold. The Country Club is charged a flat rate of \$28,000 for this service which equates to \$3.83 per thousand gallons paid by Sombrero Country Club for this treated effluent. Because the Housing Authority does not have sufficient effluent water to meet all of the Sombrero Country Club's needs, the Country Club is currently investing in a reverse osmosis system to supply additional irrigation water a cost likely to be in excess of the \$3.83 per thousand paid to the Housing Authority for treated effluent.

The golf course customer of K.W. Resort has discussed one alternative available to it for receipt of treated effluent for irrigation. That is the proposed purchasing of such effluent from a nearby system owned by the Monroe County Detention Center. That system has available approximately

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40,000 to 50,000 gallons per day of treated effluent which it is our understanding they have discussed providing to the golf course. However, this will require the golf course to construct a transmission line to the Monroe County Detention Center and to pay a fee to the Center which will likely equate to approximately the same cost per thousand gallons for this effluent as that proposed to be charged by K.W. Resort.

In addition, the golf course's water needs are substantially in excess of the 40,000 to 50,000 gallons available from the Monroe County Detention Center and, as such, the golf course still needs to obtain substantial additional water for irrigation, either from K.W. Resort Utilities or must purchase that potable water from Aqueduct Authority at over \$6.00 per thousand gallons or construct an R.O. plant as Sombrero Country Club has proposed to do. Any of these alternatives has a substantially higher cost than the \$1.25 rate proposed to be charged by K.W. Resort Utilities.

3. Has K.W. Resort completed a reuse feasibility study for the DEP? If not, why not? If so, please provide a copy of the feasibility study.

Answer: The requirement for submittal of a reuse feasibility study by DEP is a relatively recent one imposed upon companies when they are applying for expansion of their existing wastewater treatment plant or perhaps even for permit renewal. However, that requirement did not exist when this Utility began utilizing reuse approximately 13 years ago. As such, no feasibility study was required at that time by the FDEP. With the recent expansion of the wastewater treatment facilities of K.W. Resort Utilities Corporation, the DEP did once again inquire on their standard forms about the feasibility of reuse for the Utility. The Utility simply responded that K.W. Resort is currently utilizing reuse to the fullest extent possible and that was sufficient for the FDEP's needs and, as such, no "reuse feasibility study" has been prepared.

In addition to the above questions, your letter also requests two sets of documents. The first is all workpapers that support the special report prepared by the Utility. Bob Nixon has possession of those workpapers and is currently out-of-town for approximately one week. I have sent a letter to Mr. Nixon requesting that he provide those as soon as he returns.

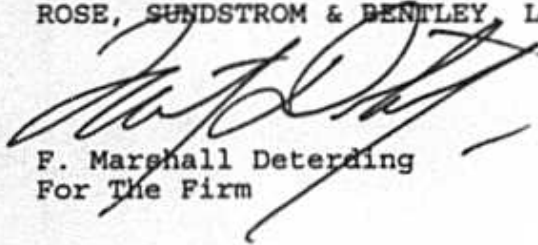
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Your second request for additional documents was for the Utility's consumptive use permit. Because the Utility is a sewer only system, it is not required to obtain a consumptive use permit since there are no consumptive uses of the waters of the State. Therefore, a consumptive use permit is inapplicable and has not been obtained by the Utility.

I will provide you with the additional workpapers of Mr. Nixon as soon as they are available. If you have any other questions regarding this matter, please do not hesitate to contact me.

Sincerely,

ROSE, SUNDSTROM & BENTLEY, LLP



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For The Firm

FMD/lts

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